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25 August 2020

ASX Announcement

Results for Announcement to the Market
Appendix 4E and Annual Report - FY20

Attached are the following for the year ended 30 June 2020:

- Appendix 4E
- Annual Report

Authorised for release by:

The Board of Directors, Qube Holdings Limited

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QUBE HOLDINGS LIMITED

(ABN 14 149 723 053)

APPENDIX 4E Full Year Report 30 June 2020

Results for Announcement to the Market

Set out below are the statutory results for Qube Holdings Limited (Qube) and its controlled entities for the year ended 30 June 2020.

Statutory Information	FY 2020 $’m	FY 2019 $’m	Movement
Revenue from ordinary activities	1,902.0	1,838.9	3%
EBITDA[1, 2]	429.5	425.7	1%
Profit from ordinary activities after tax attributable to members	87.5	196.6	-56%
Net profit after tax attributable to members	87.5	196.6	-56%
Interim dividend cents per share (fully franked)	2.9	2.8	4%
Final dividend cents per share (fully franked)	2.3	2.9	-21%
Special dividend cents per share (fully franked)	-	1.0	n/a
Basic Earnings per share (cents per share)	5.2	12.1	-57%
Diluted Earnings per share (cents per share)	5.2	12.0	-57%

[1] EBITDA is statutory net profit before tax adjusted to remove share of profit of associates, net finance costs, depreciation and amortisation.

[2] The FY 2020 EBITDA benefited by the introduction of AASB 16 whereby lease payments of $101.8 million are excluded from EBITDA and additional depreciation and interest expenses recognised instead which has the effect of reducing net profit after tax (but not EBITDA).

Underlying information*	FY 2020 $’m	FY 2019 $’m	Movement
Underlying Revenue	1,883.6	1,728.6	9%
Underlying EBITDA	290.9	289.3	1%
Underlying EBITA	160.3	180.5	-11%
Underlying net profit for the year attributable to members	104.2	123.2	-15%
Underlying net profit for the period attributable to members pre-amortisation	121.2	139.2	-13%
Underlying diluted earnings per share (cents per share)	6.2	7.6	-18%
Underlying diluted earnings per share pre-amortisation (cents per share)	7.2	8.5	-15%
Full year dividend per share (cents per share)[3]	5.2	6.7	-22%

[3] FY19 includes a special dividend of 1.0 cent per share

*** Underlying Information**
Further commentary on the performance of Qube and its operating businesses is set out in the financial statements and ASX announcement issued with this Appendix 4E.

* The underlying information excludes certain non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to ‘underlying ’information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.

A reconciliation of the statutory results to the underlying results for the year ended 30 June 2020 and the prior comparable period is presented below:

	2020 $'m	2019 $'m
Revenue and other income	**1,902.0**	**1,838.9**
Intercompany trading	41.5	45.2
Fair value losses/(gains)	(45.1)	(155.5)
Quattro acquisition bargain purchase gain	(15.8)	-
AASB 16 leasing adjustments	1.0	-
Underlying revenue	**1,883.6**	**1,728.6**
Net profit before income tax	**130.5**	**284.0**
Share of equity accounted investments loss/(profit)	7.1	(11.0)
Net finance cost	65.0	32.7
Depreciation & amortisation	226.9	120.0
EBITDA	**429.5**	**425.7**
Impairment of investment in associate	6.9	14.0
Quattro acquisition		
- Impairment of equity accounted investment	11.2	-
- Bargain purchase gain	(14.7)	-
Fair value losses/(gains)	(45.1)	(155.5)
AASB 16 leasing adjustments	(101.8)	-
Share based payment expense adjustments	-	1.5
Acquisition costs	3.4	1.3
Other	1.5	2.3
Underlying EBITDA	**290.9**	**289.3**
Depreciation	(130.6)	(108.8)
Underlying EBITA	**160.3**	**180.5**
Amortisation	(12.1)	(11.2)
Underlying EBIT	**148.2**	**169.3**
Underlying interest expense (net)	(17.4)	(12.9)
Share of (loss)/profit of equity accounted investments	(7.1)	11.0
Underlying adjustments to equity accounted investments:		
AASB 16 leasing adjustments	15.4	-
Underlying adjustments - other	3.4	1.8
Underlying share of profit/(loss) of equity accounted investments	11.7	12.8
Underlying net profit before income tax	**142.5**	**169.2**
Income tax expense	(39.2)	(46.9)
Underlying net profit for the year	**103.3**	**122.3**
Underlying non-controlling interests	0.9	0.9
Underlying net profit after tax attributable to members	**104.2**	**123.2**
Underlying net profit after income tax attributable to members pre-amortisation	**121.2**	**139.2**
Diluted underlying earnings per share (cents per share)	**6.2**	**7.6**
Diluted underlying earnings per share pre amortisation (cents per share)	**7.2**	**8.5**

[1] Underlying net profit after tax pre-amortisation, includes an adjustment for Qube's proportionate share of Patrick amortisation expense net of tax.

The table above has been extracted from note 2 of the financial statements but is un-audited.

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.

Dividend Information

	Amount (cents per share)	Record Date
Final dividend - fully franked	2.3	21 September 2020
Payment date	21 October 2020	

Qube paid a fully franked interim dividend of 2.9 cents per share per share for the half year ended 31 December 2019 on 7 April 2020. A fully franked final dividend of 2.9 cents per share for the year ended 30 June 2019 was paid on 18 October 2019.

Dividend Reinvestment Plan

Qube operates a dividend reinvestment plan (DRP) that enables shareholders to elect to reinvest all, or a portion of, their dividends into additional shares in Qube. The DRP is available for the final dividend payable on 21 October 2020. Shares will be issued at a discount of 2.5 per cent to the volume weighted average market price of shares sold on the ASX over the 10 trading days commencing on 23 September 2020. Lodgement of the election notice for participation in the DRP is due by 5:00pm on 22 September 2020.

Net Tangible Asset Backing per Share

The net tangible asset backing per share is $1.29 (2019: $1.21 per share).

Additional Information

Additional Appendix 4E disclosures can be found in the notes to the Financial Report.

This Appendix 4E report is based on the 30 June 2020 Financial Report which has been subject to an audit by PwC, with an unqualified opinion.

Annual Report 2020

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Chairman's Message

As Qube Chairman, I'm pleased to be able to report that, despite the unprecedented challenges faced in FY2020, the company was able to deliver a sound financial performance.

Qube had weathered the tumultuous summer months affected by bushfires and floods and was on track to deliver more growth for shareholders when COVID-19 reached Australia in late February.

Our first priority, as always, was the health and safety of our employees. The Board and Management moved quickly to protect our people and implemented company-wide safety protocols which responded flexibly to the evolving crisis.

In anticipation of a prolonged and severe impact on economic activity and the impact on Qube's operations, management initiated a proactive and focussed plan in early March to mitigate the impact on Qube's earnings and minimise the need for employee stand-downs or job losses.

This work has been successful in minimising the damage to our people and our operations.

However, the economic downturn caused by the pandemic and other factors has negatively affected Qube's full-year earnings as outlined below.

Key Results

- Underlying revenue $1.9 billion (+9.0%)
- Underlying EBITA $160.3 million (-11.2%)
- Underlying NPATA $121.2 million (-12.9%)
- Full-year dividend of 5.2 cents per share fully franked

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

Qube's injury rates improved again, continuing the long-term improvement trend with a Total Recordable Injury Frequency Rate (TRIFR) of 8.3, a 7% improvement on the rate of 8.9 reported in FY19.

Tragically, despite Qube's efforts and initiatives, in September 2019 there was a fatality of a Qube employee working at the IGO Nova Mine site in Western Australia. The learnings from the fatality investigation have been shared across the organisation. Qube will continue to work to improve and enhance its safety systems and performance.

Operating Division
Qube's diversification strategy across Ports, Bulk and Logistics operations significantly ameliorated the impact of COVID-19 across the group.

The underlying financial results for the Operating Division were pleasing given the environment with earnings growth over the prior comparable period, despite headwinds in a number of its markets which impacted volumes and placed pressure on margins. The result benefitted from a contribution from acquisitions and new contracts in the period, as well as Qube's diversification and strong market positions in its target markets.

Diversification was particularly important during the second half of the period during which Qube's bulk operations continued largely unaffected by COVID-19 which contrasted with other markets such as automotive, containers and project cargo which experienced meaningful reductions in volumes.

Moorebank Logistics Park
Solid progress was made during the year at the Moorebank Logistics Park (MLP).

In November the first shuttle trains commenced operations between Moorebank and Port Botany and volumes are continuing to increase.

A major highlight was the announcement in June that Qube had attracted Woolworths to the precinct. In a development that will transform the NSW grocery supply chain, Woolworths will develop a semi-automated national distribution centre and an automated regional distribution centre.

Subject to NSW Government planning approvals, the distribution centres are expected to commence operations in 2023 and 2024.

Qube is continuing with the previously announced Moorebank monetisation process and has selected a short list of parties to proceed to the second stage of the process. These parties continue to express a strong interest in the MLP and its unique characteristics. Qube presently expects to have determined whether or not it will proceed with a transaction towards the end of calendar 2020.

Patrick
Despite the impact of COVID-19 in the second half, Patrick continued to generate strong cashflow in the period, although reflecting the uncertain environment and lower volumes, only distributed $20.0 million to Qube in the period through a combination of interest, repayment of shareholder loans and return of capital.

Equity Raising
In May 2020, the Board and Management sought to raise $500 million through an entitlement offer open to all Qube shareholders. On behalf of the Board, I would like to thank shareholders for their support in that successful raising.

Outlook
At present, there is very limited visibility regarding near-term volumes in Qube's key markets. Qube presently expects that the generally weaker conditions it experienced in the second half of FY20 will continue in FY21 until the impact of COVID-19 subsides. As a result, Qube expects volumes in a number of its markets to decline in FY21 relative to FY20.

Qube's underlying earnings in FY21 will therefore depend largely on the severity and duration of the impact of COVID-19 on the economy and Qube's markets, and Qube's ability to mitigate the impact through further cost initiatives, new revenue opportunities and accretive acquisitions and investment as well as the timing of a general economic recovery.

Qube remains well positioned for a strong earnings recovery when volumes return to more normal levels and to deliver long-term earnings growth from its highly strategic assets.

In conclusion, I would like to thank directors, management and all employees for their efforts during what has been a very testing period in the last year.

Allan Davies

Allan Davies

25 August 2020

Managing Director's Report

At the outset, I would like to acknowledge the extraordinary efforts of Qube management and employees in meeting the challenges of COVID-19.

At Qube we have always strived to build a culture of practical, sensible and clear leadership which allows the group to respond quickly to customer needs and market change.

The events of 2020 have undoubtedly tested the strength and resilience of the company in ways which no-one could have predicted.

As the outbreak worsened, we were able to adapt rapidly to protect the health and safety of our people, deliver on customer requirements and minimise the economic damage to the group.

Chief Operating Officer Paul Digney led the company's response to the crisis, and supported by his team, achieved the important goals of protecting our people and minimising job losses.

COVID Safe plans were rolled out across Qube workplaces and strict protocols implemented to minimise the possibility of workplace transmission.

Regular communication to all employees and contractors reinforced the importance of social distancing and hygiene.

Operational activities were adjusted, including shift scheduling, to minimise interaction between different work groups. Mental health was prioritised with videoconference check-in protocols for personnel that were working from home to ensure they did not become disconnected.

In addition, management across the company accepted very significant pay reductions to support the business during this crisis.

Operating Division
Fortunately, most of Qube's operations were defined as essential services and therefore were able to continue operating throughout the period.

The division reported underlying revenue growth of 9.9% to $1.8 billion and underlying earnings growth (EBITA) of 1.9% to $163.7 million. The revenue growth comprised a 15.7% increase in revenue from the logistics activities to $823.2 million, and a 5.4% increase in revenue from the Ports and Bulk activities to $962.2 million.

Moorebank Logistics Park
Several important milestones were reached in FY20 at the Moorebank Logistics Park.

The IMEX rail terminal commenced operations in November 2019 in manual mode, whilst the development of the automated terminal is progressing with the first automated crane components delivered on site in January 2020 and assembly and phased commissioning having progressed during H2 FY20.

In November 2019, Qube received planning approval from Moorebank Precinct West (MPW) Stage 2. This enables Qube to construct the interstate rail terminal and an additional 215,000sqm of warehouse on MPW.

In June 2020, we announced that Qube had exchanged two agreements for lease and development management agreements with Woolworths to develop new national and regional distribution centres across 26 hectares at MLP.

The new facility for Woolworths will consolidate operations into a unique purpose-built high bay facility, leveraging world-leading advancements in retail, supply chain and semi-automated and automated technology.

COVID-19
The impact of COVID-19 on Qube's activities varied significantly with minimal impact on Qube's bulk export operations, a modest impact on its New Zealand forestry stevedoring and marshalling operations (mainly due to the closure of forestry activities for three weeks) and a more significant impact on container, import break bulk cargo, and automotive volumes.

It is estimated that lower volumes and higher costs due to COVID-19 reduced Qube's FY20 underlying earnings (NPAT) by over $21 million overall of which around $10.5 million are non-cash expenses. This estimate excludes the impact from lower volumes due to COVID-19 on Patrick's earnings which cannot be reliably estimated.

It is also estimated that lower volumes due to COVID-19 reduced Qube's FY20 revenue by around $135 million during the COVID-19 period. The resulting earnings impact was partly mitigated by around $10.5 million of cost savings through initiatives including temporary reductions in fixed remuneration and Board fees, reduced travel expenditure, reduced property and equipment costs as well as lower variable costs.

The impact of COVID-19 on Qube was also felt through approximately $7.5 million in additional costs directly relating to COVID-19.

Several regional and automotive ports, including Darwin, Port Kembla, Newcastle, Melbourne and Northern Tasmania were severely impacted by reduced volumes during the period from April to June 2020.

In addition to proactive cost-cutting measures, Qube received around $13.5 million in JobKeeper payments to assist in ensuring that the regional and automotive ports remained operational and job losses were minimised.

Positioning for growth
There were a number of significant achievements during the year which are expected to support Qube's long-term earnings growth. These included securing new contracts with Shell Australia and BlueScope Steel which, when fully operational, are expected to represent Qube's two largest contracts by revenue.

Qube also successfully integrated the Chalmers business which was acquired in September 2019 and sold the freehold land acquired as part of that deal for around $65 million (pre-transaction costs). The sale proceeds were in excess of the total paid to acquire the company.

Equity Raising
The company also successfully raised equity through a $500 million entitlement offer to substantially increase Qube's liquidity and place the company in a strong financial position positioning Qube well for future investment and acquisitions to grow our future earnings.

Sale of Minto
In July, Qube announced that it had exchanged contracts for the sale of Minto Properties with entities managed by Charter Hall for a price, before tax, transaction costs and adjustments, of around $207 million. This transaction is expected to be completed in September 2020 following FIRB approval.

In conclusion, I would like to again thank all our employees and contractors for their exceptional work in 2020.

Please stay safe.

Maurice James

Directors' Report

Your directors present their report on the consolidated entity consisting of Qube Holdings Limited and the entities it controlled ('Group', 'Qube' or 'Company') at the end of, or during, the year ended 30 June 2020.

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
Stephen Mann	Non-executive Director	1 September 2019
Jackie McArthur	Non-executive Director	17 August 2020
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 2020 financial year				
2019 Final dividend	2.9¢	47.1	100%	18 October 2019
2020 Interim dividend	2.9¢	47.1	100%	7 April 2020
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
Dividends declared by the Company after year end				
2020 Final dividend	2.3¢	43.3	100%	21 October 2020

Loans to directors and executives

There are no loans made during the year or outstanding to directors and executives as at 30 June 2020.

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 20 forms part of this Directors' Report.

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:

	2020	2019
Taxation services	**$'000**	$'000
PwC Australian firm:		
Tax compliance services	64.7	165.2
Tax advisory services	230.1	177.7
Total remuneration for taxation services	294.8	342.9
Other services		
Due diligence services	41.7	-
Other services	328.7	162.4
Total remuneration for non-audit services	665.2	505.3

Remuneration Report

The Remuneration Report is set out on pages 21 to 49 and forms part of the Directors' Report for the financial year ended 30 June 2020.

Matters subsequent to the end of the period

On 15 July 2020, Qube announced that it had exchanged contracts for the sale of Minto Properties with entities managed by Charter Hall for a price, before tax and transaction costs, of around $207 million. This sale is expected to be completed in September 2020 following FIRB approval.

Other than as noted above, no other matters or circumstances have arisen since 30 June 2020 that significantly affect Qube's operations, results or state of affairs, or may do so in future years.

Directors' Report

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
Director

Sydney

25 August 2020

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

Chairman of the Board of Directors

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' 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.

Mr. James is a Director on the Board of the Australian Logistics Council and also sits on the WA Freight Advisory Council and Victorian Rail Freight Working Group. In March 2017, Mr. James was appointed Chair of the Industry Advisory Board of Deakin University's Centre for Supply Chain and Logistics.

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

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 30 years of experience as an accountant and investment manager, having previously 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

None

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 of experience in the maritime and logistics industries in Australia and internationally.

Mr Dexter is a director of the Australian National Maritime Museum Foundation.

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 of experience in the Australian shipping industry, including management roles in bulk, liner and PCC shipping.

Mr. Miles is also 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

Chair of the 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 in 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 Pivot Limited, 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.

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 November 2019

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

Stephen Mann *Non-executive Director*

Experience and expertise

Mr Mann has over 20 years of strategy, transformation and business development experience across multiple geographies and different industries including rail, aviation, infrastructure and resources.

He has held senior executive roles across a wide range of organisations including Aurizon, Qantas and BlueScope Steel Limited and is currently Executive General Manager Commercial & Strategy for Western Sydney Airport Co Ltd.

Mr Mann has a Master of Business Administration with Distinction from INSEAD (Institut Européen d'Administration des Affaires).

Mr Mann was appointed as a Director of Qube on 1 September 2019.

Directorships of listed companies held during the last three years

None

Special responsibilities for Qube

Member of the Safety, Health and Sustainability Committee

Jackie McArthur *Non-executive Director*

Experience and expertise

Ms. McArthur has more than 20 years' experience at executive and board level roles in general management and strategy, supply chain and logistics, operations, food and packaging manufacturing, emerging brand issues and crisis management, corporate social responsibility, governance, engineering and information technology.

Ms. McArthur has held various senior executive positions including Managing Director of Martin-Brower ANZ, a global leading distributor and supply chain services provider. She has also held various senior executive positions with McDonalds, both in Australia and overseas, including Vice President of Supply Chain for Asia, Pacific, Middle East and Africa.

Ms. McArthur was appointed as a Director of Qube on 17 August 2020.

Directorships of listed companies held during the last three years

Inghams Group Limited from 18 September 2017 to current

Tassal Operations from 27 November 2018 to current

InvoCare from 1 October 2018 to current

Blackmores Group from 24 April 2018 to 6 August 2019

Special responsibilities for Qube

Nil (recent appointment)

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 28.

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		Audit and Risk Management		Nomination and Remuneration		Safety, Health and Sustainability	
	16 meetings held		6 meetings held		4 meetings held		4 meetings held	
	A	B	A	B	A	B	A	B
Allan Davies[1]	16	16		6	4	4	2	4
Sam Kaplan	16	16	6	6				
Maurice James[2]	16	16		6		4	4	4
Ross Burney	16	15			4	3		
Peter Dexter	16	16			4	4	4	4
Alan Miles	16	16	6	6			4	4
Sue Palmer	16	15	6	6				
Steve Mann	14	14					2	3
Åge Holm (alternate)	16	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] Chairman
[2] Executive Director
* Meetings attended by an alternate director as an invitee
Not a member of the committee during the entire year

During the year the following appointments/resignations occurred:

- Steve Mann was appointed as a non-executive director on 1 September 2019
- Allan Davies resigned as Chair and a member of the Safety, Health and Sustainability Committee on 1 December 2019
- Alan Miles was appointed as Chair of the Safety, Health and Sustainability Committee on 1 December 2019
- Steve Mann was appointed as a member of the Safety, Health and Sustainability Committee on 1 December 2019

In addition to the above formal meetings, strategy, 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 joining 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' 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 in January 2013, Mr. Hara worked as General Counsel and Company Secretary at Patrick Corporation Limited for 10 years and Group General Counsel at Lendlease for 6 years. Following the acquisition by Qube of the remaining units in Quattro and Quattro becoming part of the Operating Division, Mr Hara ceased to be Director of Strategic Assets from 1 July 2020.

Director Infrastructure and Property

Greg Pauline, Director Infrastructure and Property, resigned on 10 July 2020 and is it not proposed to fill the position at this time. For the time being the Director of Development, Michael Yiend, will report to the Managing Director. The Director of AAT, Antony Perkins, will report to the Chief Operating Officer.

Review of Operations

Overview

Qube is pleased to have delivered a sound financial performance in FY20 in light of the very considerable, unexpected and unprecedented challenges that affected the broader economy and Qube's activities.

	Underlying Information		Statutory Information	
	$m	**Change from pcp**	**$m**	**Change from pcp**
Revenue	1,883.6	9.0%	1,902.0	3.4%
EBITA	160.3	(11.2%)	214.7	(32.2%)
NPAT	104.2	(15.4%)	87.5	(55.5%)
NPATA	121.2	(12.9%)	104.5	(50.8%)
EPSA (cents)	7.2	(15.3%)	6.2	(52.3%)
DPS (cents)	5.2	(8.8%)*	5.2	(8.8%)*

*Note: Excluding special dividend of 1.0 cent per share declared in FY19.

The first half of the financial year saw weakness in several of Qube's key markets including container volumes, vehicle imports and rural commodities. Despite these headwinds, the strong market positions and diversification enabled Qube to grow its underlying revenue and earnings compared to the prior corresponding period.

The second half of FY20 was unprecedented in terms of the number and impact of external events that affected Qube's operations and earnings with bushfires and adverse weather events across the country impacting Qube's business in the early part of the calendar year.

Qube was still on track to deliver positive underlying full-year earnings growth in FY20 despite these events, until it was significantly impacted by the Coronavirus (COVID-19), which reduced Qube's revenue and resulted in additional costs from February. This was partially mitigated through cost saving initiatives and the receipt of JobKeeper payments. Qube's associate Patrick was also impacted by COVID-19 in the period through lower market volumes as well as additional costs to provide a COVID Safe workplace.

As a result of these events, underlying revenue in FY20 was approximately $1.9 billion (+9.0%), underlying earnings (EBITA) was $160.3 million (-11.2%) and underlying net profit after tax before amortisation (NPATA) was $121.2 million (-12.9%). Underlying earnings per share pre-amortisation (EPSA) was 7.2 cents, a decrease of around 15.3% on the prior corresponding period.

The resilience of Qube's business was clearly demonstrated by its ability to generate meaningful underlying earnings and cashflow despite these circumstances. This reflects the quality and diversity of Qube's business as well as its experienced management team and workforce who were able to rapidly and effectively respond to partly mitigate the impact of these events on its business.

The underlying financial results for the Operating Division were particularly pleasing as earnings growth was achieved over the prior comparable period despite headwinds in a number of its markets which impacted volumes and placed pressure on margins. The result benefitted from a contribution from acquisitions and new contracts in the period.

The contribution from the Infrastructure & Property Division declined mainly due to the earnings impact of lower volumes through AAT's facilities as well as lower ancillary income and higher costs at the Moorebank Logistics Park (MLP) partly due to the start-up phase of some elements of the project such as the IMEX terminal operations.

Qube's share of net profit after tax from Patrick also declined on lower overall market volumes although Patrick maintained a high national market share based on the four terminals at which it operates.

Statutory revenue increased by 3.4% to approximately $1.9 billion and statutory profit after tax attributable (NPAT) to shareholders decreased by 55.5% to $87.5 million. The decrease in statutory earnings is largely attributable to the fair value gain on revaluation of Qube's investment properties in the prior period of $155.5 million while the equivalent current period fair value gain on revaluation is $45.1 million (mainly relating to Minto Properties). The FY20 statutory earnings are also the first period of the new lease accounting standard, AASB 16, which has reduced statutory net profit after tax by around $26.0 million (inclusive of the impact of AASB 16 on Qube's share of Patrick's statutory net profit after tax). Statutory diluted earnings per share decreased by 56.7% to 5.2 cents per share.

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.

There were a number of significant achievements during the period that are not or only partly reflected in Qube's FY20 underlying financial results, but which are expected to support Qube's long-term earnings growth. These achievements included securing new contracts with Shell Australia (Shell) and BlueScope Steel (BlueScope) which, when fully operational, are expected to represent Qube's two largest contracts by revenue. The Shell contract commenced in December 2019 and the BlueScope contract is expected to commence in January 2022.

Additionally, Qube completed the development of several new warehouses and commenced lease operations with new tenants for these warehouses at MLP. In mid-June 2020, Qube also entered development management agreements and long-term lease agreements with Woolworths Group Limited (Woolworths) for two highly automated warehouses to be developed at MLP. This is expected to be the catalyst for increased tenant interest at MLP and reinforces the substantial value of this unique site.

In March 2020, Qube reached agreement with the other unitholders in Quattro Ports (Quattro) to acquire their interests, thereby increasing Qube's ownership to 100%. This transaction is expected to better position Quattro to deliver more sustainable long term cashflow and earnings. As part of this agreement, the two exiting unitholders have prepaid for booking slots for future use of the grain terminal. The use by these parties of these booking slots will generate additional throughput revenue and earnings for Qube.

Qube also established an additional $500 million in debt facilities and completed a $500 million entitlement offer to substantially increase liquidity and place the Company in a strong financial position to take advantage of suitable growth opportunities that are expected to arise.

At 30 June 2020, Qube had cash and available undrawn debt facilities of $1,016.5 million, and the weighted average maturity of Qube's debt facilities was 3.6 years.

Following the capital raising, Qube is conservatively leveraged with a leverage ratio (net debt / net debt + equity) of around 26.0%, being below its target leverage range of 30% to 40%, and significant headroom to Qube's financial covenants.

Qube continued to progress the monetisation and partnering process with respect to Minto Properties and MLP. On 15 July 2020, Qube announced that it had exchanged contracts for the sale of Minto Properties with entities managed by Charter Hall for a price, before tax, transaction costs and adjustments, of around $207 million. The MLP monetisation process is also ongoing with continuing strong interest from a range of quality counterparties. As previously indicated, Qube will only proceed with a transaction if it is able to realise appropriate value from its investment in the MLP in a manner that supports the strategic objectives of, and continued growth in this high-quality asset.

Dividend

Qube's dividend policy is to determine the appropriate dividend to pay after taking into consideration items such as Qube's underlying earnings, cashflow, outlook and expected capital expenditure. In light of the continued uncertain economic environment, Qube's continued significant investment pipeline across the Group, as well as the recent capital raising, the Board has determined to reduce the final dividend to 2.3 cents per share, fully franked.

The Board has determined that this is an appropriate balance between the above considerations and the reasonable financial results and cashflow generation in the period.

This brings the full-year dividend to 5.2 cents per share fully franked compared to 5.7 cents per share fully franked in the prior corresponding period (excluding the 1.0 cent per share special dividend paid in FY19).

In order to maintain its liquidity and maximise Qube's ability to take advantage of suitable investment opportunities whilst delivering fully franked dividends to shareholders, the Board has determined that the dividend reinvestment plan for the FY20 final dividend should be fully underwritten.

Operating Division

The Operating Division reported underlying revenue growth of 9.9% to $1.8 billion and underlying earnings growth (EBITA) of 1.9% to $163.7 million. The revenue growth comprised a 15.7% increase in revenue from the logistics activities to $823.2 million, and a 5.4% increase in revenue from the ports and bulk activities to $962.2 million.

This was a sound result given the challenging conditions noted above during the period. It reflects the benefits of Qube's strong market positions and diversified activities. This was particularly important during the second half of the period during which Qube's bulk operations continued largely unaffected by COVID-19. This contrasted with other markets such as automotive, containers and project cargo which experienced meaningful reductions in volumes. The revenue growth also includes a sizeable increase in pass through items, such as infrastructure charges and road tolls for which no margin is generated, as well as low margin activities, predominantly related to supply base operations.

The result from the Division was supported by a full year's contribution from the LCR acquisition that was completed in the prior period, a partial period contribution from the Chalmers acquisition completed in September 2019 which was highly synergistic with Qube's transport and container park operations in Brisbane and Melbourne as well as the NFA forestry acquisition that was completed in January 2020, and which provides log marshalling capabilities in the South Island of New Zealand. Several contracts secured in the current and prior periods, including the BHP Nickel West contract, the Shell contract as well as contracts with Boral, SIMEC and Oz Minerals also supported the result.

In addition to the impact of the bushfires, floods and COVID-19 on volumes as outlined above, the divisional result reflects continued competitive conditions across Qube's key markets and particularly the logistics activities. This has affected pricing and margins. It also includes some start-up losses associated with the Moorebank IMEX and rail operations at MLP.

The Division continues to benefit from a high level of diversification in terms of geography, service, product, customer and mix of imports and exports. During the period, growth in iron ore, mineral sands, concentrates, grain imports, food processing volumes, oil and gas activities as well as infrastructure related projects, helped offset a reduction in forestry products, containers, vehicle imports and other commodities such as gold, lime, manganese and lithium.

In FY20, the top 10 customers across the Division represented approximately 21% of the Operating Division's total revenue and included mining companies, shipping lines, oil and gas companies, manufacturers and retailers.

During the period, Qube did not lose any days due to industrial action. A number of workplace agreements were successfully negotiated throughout the period with good progress made in advancing those workplace agreements still in negotiation. Engagement with employees, stakeholders and unions has been overall very positive throughout the unprecedented events and challenges of COVID-19. Qube has remained agile in responding to changing workplace needs with varying industrial relations considerations.

Infrastructure & Property Division

The earnings of the Infrastructure & Property Division declined, with underlying revenue and underlying EBITA decreasing in FY20 by 5.6% and 48.5% to $98.0 million and $20.2 million, respectively.

This was mainly attributable to a decline in AAT's revenue of approximately 8.0% as a result of low volumes of vehicles, Ro-Ro, general and project cargo. This translated into a much larger percentage decline in AAT's earnings given the high fixed cost nature of this business. The revenue and earnings from Moorebank related activities were also lower than in FY19 due to reduced management fee and ancillary income, as well as higher operating costs mainly related to the existing warehousing, partly offset by higher warehousing income associated with the new warehouses completed during the period. The contribution from Minto Properties was slightly above the prior corresponding period.

Quattro has been consolidated in the Infrastructure and Property Division from 31 March 2020 and contributed a small loss (EBIT) in the last quarter of FY20. Quattro's FY20 result benefitted from a contract with the Manildra Group which resulted in the Quattro facility handling imported grain. This helped mitigate the absence of export grain volumes due to the drought.

From July 1 2020, AAT and Quattro will be reported in the Operating Division. The Infrastructure & Property Division will also be renamed the Property Division. This is in line with the organisational restructure done to better reflect strategic and operational responsibilities.

Despite the weaker underlying financial performance, there were a number of very positive milestones achieved in the period which are highlighted below that are not reflected in the underlying results.

MLP

The IMEX rail terminal commenced operations in November 2019 in manual mode whilst the development of the automated terminal is progressing. The first automated crane components were delivered on site in January 2020 and assembly and phased commissioning have progressed during the second half of FY20.

In November 2019, Qube received planning approval for Moorebank Precinct West (MPW) Stage 2 which enables Qube to construct the interstate rail terminal and an additional 215,000 sqm of warehousing on MPW.

The construction of Warehouses 3 and 4 was also completed and the initial tenants for the majority of each of these warehouses, being Caesarstone (Warehouse 3) and ATS Building Products (Warehouse 4) commenced operations towards the end of the period. Both these new tenants have signed agreements with Qube Logistics for the transport of freight between Port Botany and the MLP. Qube is involved in negotiations with a range of parties to occupy the balance of these facilities.

A major milestone in the period was the announcement in June 2020 that Qube has exchanged two agreements for lease and development management agreements with Woolworths to develop new major warehouses across 26 hectares at MLP. Both leases, comprising a 40,700 sqm national distribution centre (NDC) and a 34,600 sqm regional distribution centre (RDC) are on initial 20-year terms with six x 5-year options. This will enable Woolworths to consolidate operations into unique purpose-built high-bay facilities, leveraging world-leading advancements in retail, supply chain and semi-automated and automated technology.

Subject to NSW Government planning approvals, the NDC is expected to commence operations in 2023 with the RDC opening in 2024, with the facilities anticipated to reach full capacity from 2025.

Under the two development management agreements, Woolworths is developing the warehouses and Qube is funding their construction. Qube's capital commitment for the base building construction is expected to be between $420 and $460 million which will be incurred over the next three to four years with revenue of approximately $30 million per annum when fully operational. Woolworths will invest around $700-$780 million in the technology and fit out of the two distribution centres over the next four years. This development is expected to be positive for additional tenant interest in the site.

Qube spent approximately $300 million in the period on the MLP, of which around $154 million related to enabling infrastructure and precinct works, around $56 million related to the warehousing component and the balance was the rail terminals. This capital expenditure included the completion of the majority of the remaining precinct infrastructure works on Moorebank Precinct East (MPE), the start of precinct infrastructure works on MPW, and the construction of several warehouses.

Qube presently expects that the minimum remaining capital expenditure for MLP will be between $1.1 billion and $1.2 billion. This comprises Qube's expected costs for completing the precinct infrastructure on MPW, committed warehouses including the Woolworths NDC and RDC and the completion of the Qube Logistics warehouse, the completion of the automated IMEX rail terminal and the development of the interstate rail terminal. This estimate does not include additional warehousing that is expected to be developed in the future, nor does it assume any outcome from the property monetisation/partnering process that would be expected to reduce Qube's funding requirement.

The midpoint of this forecast is around $655 million higher than the estimate provided at Qube's 2019 AGM. The largest contributor to this increase is the expected capital expenditure for the two new Woolworths warehouses of $420 million to $460 million. It also reflects higher estimated IMEX rail terminal automation costs of around $100 million including additional works within the terminal area as well as the surrounding infrastructure to enhance the overall operational capability and efficiency. Other capex increases include Moorebank Avenue works following the recent arbitration outcome with the Moorebank Intermodal Company as previously disclosed, additional roadworks as required by Transport for New South Wales, storm water retention works (required under the

NSW Planning Approval issued in November 2019), and land preparation works due to higher specification warehouse requirements (collectively between $90 million and $140 million).

The capex that Qube will be required to spend will depend on the actual scope, timing and final cost of some of these items. It will also reflect the precise tenant mix and the specific warehousing requirements, including the size and level of automation. The outcome of the property monetisation/partnering process may also change Qube's required capital expenditure on MLP. Accordingly, the actual capex for MLP could vary materially from current expectations, although it would be expected that any material increase in Qube's capex would involve higher income and/or end development value.

Shortly after year end, the first stage of the MLP project was awarded an 'Excellent' Infrastructure Sustainability (IS) rating (for Design) from the Infrastructure Sustainability Council of Australia (ISCA). The project design achieved a world first in innovative technology, due to its high degree of automation. This includes automated gantry cranes, straddle carriers, sortation systems and terminal operating systems. An Australian first innovative process was awarded for the project's approach to managing urban heat island effects, with measures implemented to achieve a 4ºC decrease in temperature on the project compared to neighbouring industrial developments.

Quattro

Another highlight for the Division in the period was the transaction that resulted in Quattro becoming a wholly-owned subsidiary of Qube, effective 31 March 2020, following the completion of the buyout of the unitholdings of Cofco and Cargill. Qube received net cash from this transaction which included the transfer of ownership interests to Qube, termination of existing take-or-pay agreements, and prepayment of booking fees for future use of the grain terminal.

Monetisation/Partnering Process

Qube continued to progress the property monetisation / partnering process during the period for Minto Properties and MLP.

As noted above, in June 2020, Qube entered into exclusivity arrangements, and in July 2020, Qube announced that it had exchanged contracts for the sale of Minto Properties with entities managed by Charter Hall for a price, before tax, transaction costs and adjustments, of around $207 million. This transaction is expected to be completed in September 2020 following FIRB approval.

Qube has also selected a shortlist of parties to proceed to the next stage of the MLP process. These parties continue to express a strong interest in the MLP and its unique characteristics. Qube presently expects to have determined whether or not it will proceed with a transaction towards the end of calendar 2020.

Beveridge

Qube also continued with the planning process for the future development of the Beveridge site.

Patrick

The underlying contribution from Qube's 50% interest in Patrick was $26.0 million NPAT and $34.5 million NPATA, a decrease of 13.3% and 9.4%, respectively, over the prior corresponding period. This contribution is inclusive of Qube's share of interest income ($15.3 million post-tax) on the shareholder loans provided to Patrick. Despite the decline in earnings, Patrick continued to generate strong cashflow in the period, although only distributed $20.0 million to Qube using the majority of its operating cashflow to fund its capex programme which included the purchase of various new cranes as well as rail capacity growth capex at Port Botany.

The statutory contribution to Qube's NPAT (being interest income on shareholder loans and share of profit after tax) was a profit of $7.5 million (compared to $28.4 million in FY19) largely driven by the impact of the new leasing standard (AASB 16).

In the 12-month period to June 2020, Patrick was able to maintain its high national market share across its four terminals of around 45% (lifts). This was achieved through an increased market share at Port Botany and Fisherman Island which offset a reduced market share in Melbourne and Fremantle. Patrick's overall volumes (lifts) declined by 4.9% which was in line with the decline in full-year market volumes (lifts) in the 12 months to 30 June 2020.

Patrick's full-year market share was achieved through a pleasing retention of overall volumes given the contraction in market volumes, the extensive contract changes resulting from an unprecedented number of shipping line service changes and service cancellations during the period.

Work has progressed at Patrick's Port Botany terminal to enhance rail capacity and operating efficiency, with Stage 1 expected to be completed by the end of CY20, on time and on budget.

Patrick has successfully implemented the Terminal Operating System replacement project at two terminals. This is also expected to be rolled out nationally by the end of CY20. This will deliver further efficiencies and workforce synergies.

Three new cranes were delivered and commissioned across Patrick's East Swanson Dock (ESD) and Fremantle terminals during the period.

The Fremantle lease is currently expected to be finalised by the end of CY20.

During the period, discussions have progressed with relevant parties in relation to on-dock rail and a lease extension at ESD.

Capital Expenditure

Qube spent approximately $516 million of capital expenditure in the period. This expenditure included the Chalmers and NFA forestry acquisitions, capex for contracts including the Shell contract to provide supply base management and other logistics services, initial capex relating to the BlueScope contract to provide East Coast interstate steel train services and intermodal terminal operations, and the BHP Nickel West contract involving the construction and maintenance of a haul road and provision of nickel ore haulage services.

Other significant capex items included the development of new warehouses, precinct infrastructure works and the IMEX rail terminal at MLP, as well as maintenance capex.

During the period, Qube sold the freehold land acquired as part of the Chalmers acquisition for around $65 million (pre-transaction costs). The sale proceeds were in excess of the total consideration paid to acquire the company and was treated as part of the acquisition accounting given the proximity of the sale to the completion of the acquisition and therefore no gain was recognised in Qube's underlying or statutory earnings. This sale was made possible through the effective integration of the Chalmers business into Qube's existing facilities in Melbourne, thereby enabling Qube to generate the target earnings from the acquisition without requiring this valuable parcel of land.

COVID-19 Impact

The onset of the COVID-19 pandemic started impacting Qube's operations towards the end of February 2020 and continued for the remainder of the financial year. The vast majority of the impact was within the Operating Division although Qube's associate Patrick was also significantly impacted, with lower market volumes.

Fortunately, most of Qube's operations were defined as essential services and therefore were able to continue to operate throughout the period - albeit on lower overall volumes. The impact of COVID-19 on Qube's activities varied significantly with minimal impact on Qube's bulk export operations, a modest impact on its New Zealand forestry stevedoring and marshalling operations (mainly due to the closure of forestry activities for three weeks) and a more significant impact on container, import break bulk cargo, and automotive volumes.

In anticipation of a prolonged and severe impact on economic activity and the consequential potential impact on Qube's operations, management initiated a proactive and focussed plan in early March to mitigate the impact on Qube's earnings and minimise the need for any employee stand-downs or job losses.

It is estimated that lower volumes and higher costs due to COVID-19 reduced Qube's FY20 underlying earnings (NPAT) by over $21 million overall of which around $10.5 million are non-cash expenses. This estimate excludes the impact from lower volumes due to COVID-19 on Patrick's earnings which cannot be reliably estimated.

Qube's COVID-19 earnings impact comprised an estimated revenue decline of around $135 million which was mainly within activities in the Operating Division. This included several regional and automotive ports, including Darwin, Port Kembla, Newcastle, Melbourne and Northern Tasmania that were severely impacted by reduced volumes during the period from April to June 2020.

Qube also incurred additional COVID-19 related costs of around $7.5 million associated with revised work practices at operating locations, as well as increased cleaning and equipment costs to ensure that Qube effectively addressed the health risks associated with the COVID-19 pandemic.

These negative outcomes were partly mitigated by around $10.5 million of cost savings through initiatives including temporary reductions in fixed remuneration and Board fees, reduced travel expenditure, reduced property and equipment costs as well as lower variable operating costs.

In addition to proactive cost cutting measures, Qube received around $13.5 million in JobKeeper payments to assist in ensuring that the regional and automotive ports remained operational and job losses were minimised. Qube's New Zealand operations also received available Government subsidies which enabled the retention of its workforce during the COVID-19 related full industry shutdowns during March and April 2020.

Qube undertook a review of the recoverability of its trade debtors' provision and asset base as part of the finalisation of its year-end accounts to determine if any adjustments were required as a result of the actual and expected impact of COVID-19 on activity levels across parts of Qube's business and the volumes of its customer base. As a result of this review, the FY20 underlying earnings impact noted above includes approximately $10.5 million (NPAT) in non-cash expenses.

This comprises an increase in the loss allowance relating to Qube's trade debtors of around $6.0 million (pre-tax) to recognise the potential impact that COVID-19 may have on the economic environment and the consequential impact on Qube's customer base, as well as the write-down of certain assets in the Operating Division to reflect lower expected activity levels in a small number of locations.

Qube's high variability in its cost base, scale, strong market positions and balance sheet mean Qube is well placed to quickly take advantage of any improvement in volumes when the impact of COVID-19 eventually subsides and economic growth resumes.

Qube's associate Patrick was also impacted by COVID-19, with overall market volumes declining as noted above, and additional costs borne by Patrick in the period relating to health, cleaning and safe working practices of around $3.0 million (EBIT).

Health and Safety

Qube's overarching priority is Zero Harm: to Qube's people, environment, equipment, customers and the community. Qube wants its people to be safe at work and those we interact with through our activities. Qube strives to eliminate any adverse environmental impact from its operations.

Qube's injury rates improved, continuing the long-term improvement trend with a Lost Time Injury Frequency Rate (LTIFR) of 0.9, a 18% improvement to the rate of 1.1 reported in FY19 as well as a Total Recordable Injury Frequency Rate (TRIFR) of 8.3, a 7% improvement the rate of 8.9 reported in FY19.

Tragically, despite Qube's efforts and initiatives, there was a fatality of a Qube employee working at the IGO Nova Mine site in Western Australia. The learnings of the fatality investigation have been shared across the organisation and Qube will continue to work to improve and enhance its safety systems and performance.

FY20 Safety Health & Sustainability (SHS) strategy

Qube's FY20 strategy consisted of four key pillars:

1. Culture/People
2. Risk Reduction
3. Governance
4. Training and Innovation.

Qube's efforts have focused on embedding a Zero Harm culture through proactive leadership, improvement programs, safety training and ongoing engagement with our people.

During FY20 Qube:

- Enhanced its critical risk program by improving on-site critical risk inspection and verification activities. These inspections and verifications are providing valuable information that can be used proactively to manage risk and prevention of serious and fatal incidents.
- Continued to invest in its people through internal and external development programs and providing opportunities to build their skills, capabilities, offering people a challenge to work in different areas of the business.
- Improved safety leadership walks for the Board and senior executives, focusing on employment engagement, understanding the "way work is done" and testing critical risk controls.
- Offered a range of programs focused on the physical and mental well-being of its people, helping them to be more effective at work and in their personal lives. These included:
    - Health and fitness checks
    - Drug and alcohol support
    - Mental health training
    - Group 'Step Challenge'

Enhanced its Safety Management System by reviewing and decluttering, removing unnecessary duplication. Taking a more proactive stance in analysing the way things are done in order to improve safety outcomes.

Maintaining Healthy People and Operations

Like most businesses, Qube is being affected by COVID-19. As always, the safety of our people is paramount, and Qube is continuing to take measures to help manage the risk of spreading COVID-19 including strict hygiene, social distancing and quarantine protocols. Qube has a dedicated internal COVID-19 management team and is responding to emerging government restrictions, mandates and guidelines.

More than ever, this situation demonstrates that Qube has to plan for unforeseeable events. This will be done through measures such as the group wide business continuity plan (BCP) which was updated in the period to consider a range of additional scenarios including the impact of a COVID-19 outbreak and potential closure of the workplace including the development of additional site specific BCP's relating to COVID-19.

Fortunately, following a range of operational and communications initiatives there have been very few cases of COVID-19 across the Group. At the date of this report, there have been six isolated non-workplace related cases of COVID-19 among Qube employees. It has been confirmed through contact tracing that all positive cases were contracted from the community (not from Qube workplace). This therefore reinforces that the precautions Qube has implemented in the workplace are effective at minimising transmission.

Qube has already activated its BCP in response to the positive cases that have been recorded and is working directly with the appropriate authorities to ensure that Qube meets or exceeds the guidelines set out in respect to worksites in operation. The following actions have been implemented:

- Development of COVIDSafe plans and High Risk COVIDSafe plans in accordance with relevant Government guidelines.
- Increased the frequency and intensity of cleaning procedures and heightened communication on best practice hygiene

and ways to minimise the risk of infection across work sites, warehouses, depots, facilities and offices.

Qube will continue to reassess and enhance the BCP to deal with the uncertainty and challenges of COVID-19.

Sustainability

In FY20, Qube continued to improve its sustainability outcomes, develop targets to reduce emissions, and focus on gender diversity in our workforce. Qube enhanced its strategy and risk management of climate-related impacts and improved the approach to identifying and managing modern slavery risk. In particular Qube:

- Defined material sustainability issues by undertaking a formal materiality assessment, which forms part of the broader risk management processes, and
- Continued to innovate and design warehouses and infrastructure using sustainable practices to reduce emissions and deliver saving for Qube's customers.

Community

In 2019, Qube, in conjunction with Rural Aid, launched a Buy a Bale program encouraging employees, contractors and suppliers to contribute funds to provide relief for drought-stricken regional communities. Every dollar donated through this campaign was matched with two dollars by Qube. Qube sites were also encouraged to collect essential supplies for rural families and these were delivered by Rural Aid into impacted households. The campaign was further extended to assist communities who were then impacted by bushfire. In total, the campaign resulted in a total contribution to Rural Aid of over $75,000, equivalent to more than 13 full truckloads of hay and supplies.

Diversity and Inclusion

During the period, Qube:

- Launched its first Diversity and Inclusion Strategy which includes a range of measurable objectives to 2021.
- Continued to offer sustainable employment opportunities to improve the health and well-being of indigenous families and communities, by continuing to support the Clontarf Program.
- Through the Wayfinder program, partnered with Deakin University to undertake a research project focusing on:
  - Evaluating and designing activities to facilitate the transition of women into supply chain and logistics careers; and
  - Helping industry to understand how to recruit and retain women.
- Adopted a target of gender representation of at least 40% male Directors and 40% female Directors by 2025. Consistent with its historic practice, the Board will continue to seek to appoint Directors based on merit and the expertise that they can bring to Qube to support the implementation of its strategy.

Modern Slavery

Qube is committed to the principles and objectives underpinning the Modern Slavery Act 2019 (Act). During the reporting period:

- A working group was established to focus on Modern Slavery and Human Rights. The working group comprises of members from finance, procurement, sustainability and legal.
- A detailed review and risk assessment was undertaken in relation to, the supply chains of the Qube Group. Based on this work, Qube is developing a framework and action plan to address modern slavery risks and facilitate the preparation of Qube's first Modern Slavery Statement under the Act.

Innovation and Technology

Qube has a strong track record of leveraging technology to deliver innovative supply chain solutions to its clients. To further grow and improve this capability, Qube has formed a Group Innovation Committee that brings together the Operating Division's management leadership team to develop strategies, leverage developed solutions, determine the investment and resources priorities that will benefit customers, and improve safety and service delivery. This Committee is presently considering a number of initiatives ranging from early-stage concepts through to implementation-ready projects.

The Company has continued to invest and develop its leading robotics technology utilised in the forestry (log marshalling) operations. It is also well advanced in developing a new vehicle handling technology utilising digital imaging, artificial intelligence and machine learning for the import motor vehicle operations.

Qube's innovation efforts remain focused on the continuous improvement of material handling and mobile equipment assets and operating procedures to deliver superior operational efficiency and performance, safely. This program incorporates the identification and evaluation of opportunities for adopting semi and fully automated material handling equipment and autonomous mobile equipment across a number of business areas.

Qube has been utilising virtual reality and simulation technologies within several training centres to improve the delivery of training and skills development for our employees and will continue to develop the capability and further embrace online training programs.

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.

Qube's vision is to be Australia's leading provider of integrated logistics solutions focused on import and export supply chains.

Qube's strategy to achieve this vision is to deliver cost-effective, innovative, reliable logistics solutions through:

- Investment in infrastructure, facilities, equipment and technology to build scale and competitive advantage;
- Delivering reductions in transport costs and carbon emissions by eliminating unnecessary movements;
- Where possible, providing a comprehensive integrated supply chain solution for customers through Qube as a single service provider, thereby delivering both price and service benefits to customers whilst delivering sound financial returns to Qube;
- Rail and road-based solutions delivering most efficient modal outcome;
- Ownership or long-term leasing of strategic locations at or near ports and other key infrastructure; and
- Maintaining a conservative balance sheet position with adequate liquidity, sufficient headroom to Qube's financial covenants and proactively managing refinancing risk in order to support ongoing operations and continued investment in the business across different economic conditions.

The key risks to Qube's ability to achieve its financial and strategic objectives, and the main mitigating actions are summarised below.

Operational Risk
Qube's activities are focussed on markets and activities consistent with Qube's vision and strategy as this is where Qube has extensive expertise and market knowledge. Within these markets, Qube seeks to provide a range of services to a diverse customer base to ensure that it is not unduly dependent on any single customer, product, commodity or geography to deliver acceptable financial returns. Qube also seeks to maintain a high degree of variability in its cost base so that it can respond in a timely manner to unexpected variations in demand for its services.

Qube will generally accept low levels of geographical risk with activities focussed on countries with well-established, legal, regulatory and operating environments that provides a high degree of certainty and supports reliable operations. In general, Qube will focus its activities and operations on Australia and New Zealand.

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.

In addition to the diversification strategy outlined above, 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.

This risk mitigation approach has been particularly important in light of COVID-19 as Qube has been able to continue to generate meaningful cashflow and earnings through those areas of its business that have been minimally or only moderately impacted by the pandemic. Qube has also been able to reduce its cost base in some parts of its business that have experienced more significant volume reductions due to the economic impact of COVID-19 on a number of Qube's customers in order to mitigate the adverse impact on earnings.

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. This could result 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.

Safety, Health and Sustainability
The ability for Qube to continue to operate and grow is dependent on its ability to continue to provide a safe operating environment, and to operate in a sustainable manner. The specific initiatives and achievements during the period to achieve this objective were set out above.

From a risk perspective, the Group will generally accept minimal levels of risk in respect of safety and health with no appetite for activities that are reasonably likely to result in injury or loss of life to its workforce. Whilst it is not possible to completely eliminate risks associated with the safety of its workforce, Qube is committed to its Zero Harm safety strategy.

Qube has a strong interest in protecting and preserving the environment and is committed to making a significant sustainable and responsible contribution through environmental planning.

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, pay 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 FY20 financial year was unprecedented in terms of the unexpected challenges and headwinds that impacted the Australian and global economies and the consequential impact on Qube's markets and customers. Qube's ability to continue to generate robust earnings and cashflow in those circumstances clearly demonstrates the benefit of Qube's focussed long-term strategy of diversification within import and export supply chains, establishing strong positions in markets with attractive growth outlooks and/or defensive characteristics, and maintaining a high degree of variability in its cost base.

Qube undertook several funding initiatives in the period to ensure it maintained a strong balance sheet with high levels of liquidity to enable continued investment, including taking advantage of attractive acquisition opportunities that may arise in the current environment. Qube will also continue to invest in technology, equipment and facilities to deliver innovative, cost-effective, reliable logistics solutions that support continued long-term earnings growth.

In early FY21, Qube changed its organisational structure by bringing AAT and Quattro into the Operating Division and renaming the Infrastructure & Property Division the Property Division. This better reflects the focus and strategic drivers of these assets in order to maximise their respective earnings and value.

At present, there is very limited visibility regarding near-term volumes in Qube's key markets. Qube presently expects that the generally weaker conditions it experienced in the second half of FY20 will continue in FY21 until the impact of COVID-19 subsides. As a result, Qube expects volumes in a number of its markets to decline in FY21 relative to FY20.

Qube's underlying earnings in FY21 will therefore depend largely on the severity and duration of the impact of COVID-19 on the economy and Qube's markets, and Qube's ability to mitigate the impact through further cost initiatives, new revenue opportunities and accretive acquisitions and investment as well as the timing of a general economic recovery.

Qube will continue to invest to support long-term earnings growth with total capital expenditure in FY21 currently expected to be around $500 million (excluding any potential acquisitions). The major capex items include locomotives and wagons for the BlueScope contract, precinct infrastructure, IMEX rail terminal and additional warehousing at MLP, as well as investment in new facilities and equipment across the Group.

Qube remains well positioned for a strong earnings recovery when volumes return to more normal levels and to deliver long-term earnings growth from its highly strategic assets.

Post 30 June Events

On 15 July 2020, Qube announced that it had exchanged contracts for the sale of Minto Properties with entities managed by Charter Hall for a price, before tax transaction costs and adjustments, of around $207 million. This sale is expected to be completed in September 2020 following FIRB approval.

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 2020 (FY20). This report has been audited in accordance with section 308(3C) of the Corporations Act 2001.

In FY20 Qube delivered underlying net profit after tax pre-amortisation (Group NPATA) of $121.2m which was approximately 13% lower than FY19. This was a sound result given the challenges faced in FY20 of drought in New South Wales, flooding in Queensland, the bushfires and the impact of COVID-19.

During the period, Qube secured new contracts with Shell Australia and BlueScope Limited which, when fully operational, are expected to represent its two largest contracts by revenue. Additionally, Qube commenced operations at the import export rail terminal and completed the development and leasing of new warehouses at its Moorebank Logistics Park (MLP). In June 2020, Qube entered into development management and long-term lease agreements with Woolworths Group Limited for new national and regional distribution warehouses to be developed at MLP believed to be the largest industrial warehouse leasing transaction in Australia.

The performance of Qube is reflected appropriately in the remuneration outcomes for the Managing Director and other Key Management Personnel (KMP):

Fixed remuneration
To support Qube's initiatives to reduce costs in response to the impact of COVID-19, in the last quarter of FY20 the non-executive Directors reduced their fees by 50% and the Managing Director reduced his fixed remuneration by 50%.The other KMP and management reduced their fixed remuneration by 20% in the last quarter of FY20 through either annual leave or leave without pay.

Short-Term Incentives (STI)
Overall, the Managing Director was awarded 54% of his maximum STI opportunity. The other KMP were awarded between 43% and 58% of their maximum STI opportunity. The performance of the Managing Director and other KMP was assessed against a combination of financial, safety and non-financial KPIs.

Financial KPIs
The Committee applied the STI Plan that was introduced in FY19 consistently in FY20. However, given the actual Group NPATA was lower than the previous financial year, the Board exercised its discretion to reduce the score for this KPI from 92% to 85%.

Safety KPIs
The Committee noted the feedback it had received from proxy advisers and shareholders last year and in FY20 introduced a no fatality gateway for the Safety KPI. Qube's approach is to reward management for safety initiatives that improve safety performance, but if there is a fatality, then 40% of the Safety KPI score is forfeited. Tragically in FY20, there was a fatality in Qube's Bulk business and a fatality of a construction sub-contractor at Moorebank Logistics Park. KMP forfeited 40% of the Safety KPI score.

Other non-financial KPIs
The performance of the Managing Director and other KMP against the non-financial KPIs set for them is shown in detail in a Performance Scorecard contained in this report. In response to feedback from proxy advisers, the Performance Scorecard has been expanded to show in greater detail the non-financial KPIs and performance against them.

Long-Term Incentives (LTI)
The current LTI plan is in the form of share appreciation rights. The rights only have value if the share price increases and therefore is directly aligned with shareholders' interests.

The share appreciation rights that were granted in November 2016 vested in August 2019. Over the performance period the share price increased from $2.39 to $3.27, representing a compound annual growth rate of 12.0%. Qube's total shareholder return (TSR) over the same period was 53.3%, exceeding the ASX 200's TSR of 38.4%.

Remuneration Strategy
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 will retain that framework in FY21. However, because of the challenges presented by COVID-19, the Committee and the Board have decided that there will not be any increase in non-executive Director fees or fixed remuneration of the Managing Director or other KMP in FY21.

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

Peter Dexter
Nomination and Remuneration Committee Chair

Remuneration Report

Table of 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 FY20. 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
Stephen Mann	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 Division

2. Remuneration Summary

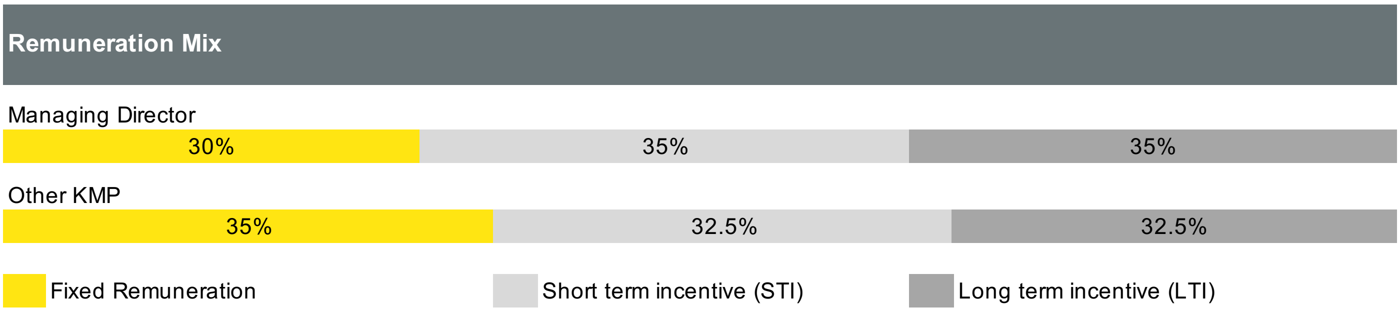
a. Principles used to determine the nature and amount of executive remuneration

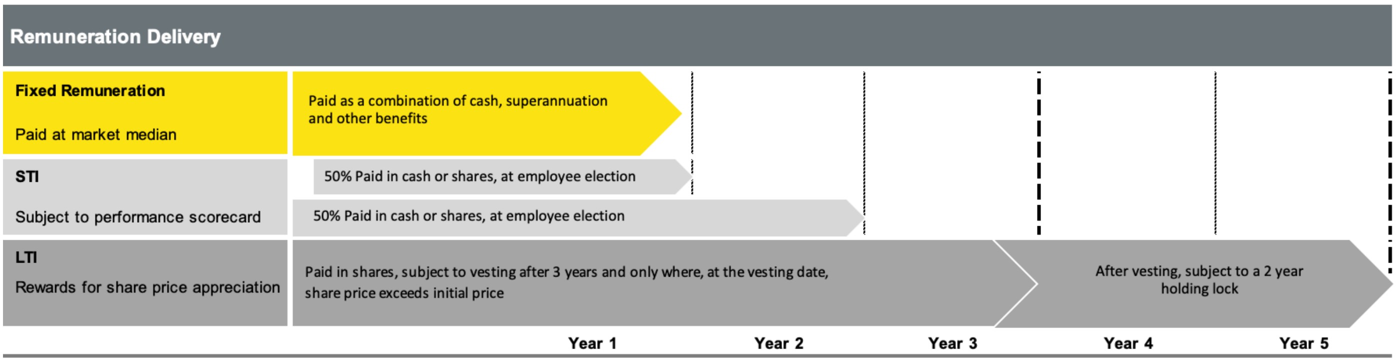
Qube's Vision	Qube's Strategy	Qube's Remuneration Strategy	Qube's Remuneration Strategy Principles
To be Australia's leading provider of integrated logistics solutions focussed on import and export supply chains	To remain focussed on the most efficient, lowest cost operations, and expand our import and 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 KPIs 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 measures 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 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 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 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





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 2020 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 FY20 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 FY20. This information is not compliant with International Financial Reporting Standards 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:

- lower fixed remuneration from last year for KMP that took leave without pay to support the cost reduction initiatives in response to the impacts of COVID-19
- lower short-term incentives paid this year reflecting the financial performance of the Company compared to last year
- the vesting in FY20 of the LTI that was granted in 2016.

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						
FY20	1,167,688	586,500	694,500	1,093,954	3,542,642	67%
FY19	1,310,904	694,500	674,650	2,545,439	5,225,493	75%
Other key management personnel						
Paul Digney						
FY20	814,217	258,500	306,000	483,721	1,862,438	56%
FY19	728,280	306,000	301,950	1,067,600	2,403,830	70%
William Hara						
FY20	573,384	193,500	235,500	435,349	1,437,733	60%
FY19	590,864	235,500	263,500	1,210,922	2,300,786	74%
Paul Lewis						
FY20	672,603	198,000	261,000	386,977	1,518,580	56%
FY19	592,088	261,000	251,950	980,423	2,085,461	72%
Greg Pauline						
FY20	620,377	153,000	236,000	-	1,009,377	39%
FY19	609,464	236,000	118,900	-	964,364	37%

1. Fixed annual remuneration is based on current gross salary package, which includes base salary, superannuation contributions and the value of non-monetary benefits provided to the executive (inclusive of all taxes) but excludes accrued leave and adjusted for leave taken without pay.

2. Current year STI non deferred component represents the actual STI to be paid in September 2020 being 50% of the FY20 STI award. The remaining 50% of the FY20 STI award is deferred and will be paid around September 2021. The prior year STI deferred component represents 50% of the FY19 STI award.

3. Vested long-term incentives represents the value of the equity instruments at the date of the grant of the long-term incentives which have vested in the year. Refer to Section 6 of this report for more detail.

4. Performance – FY20

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 on 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 and one in FY20, to ensure it can fund this investment while still maintaining a robust balance sheet. Consequently, Qube's return on invested capital and earnings per share have been impacted. However, Qube's investment approach should ensure that it is well placed to deliver sustainable long-term returns to shareholders.

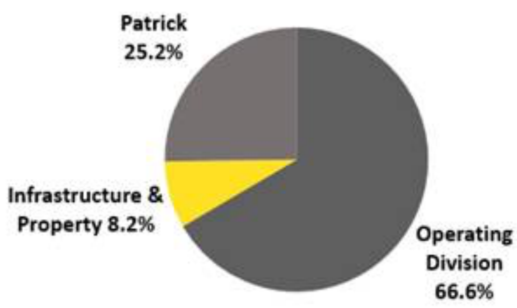
2020 Performance

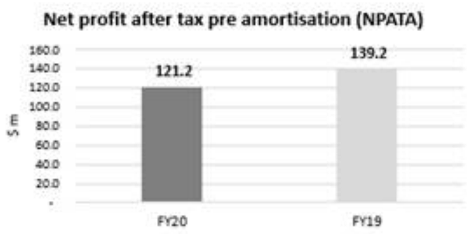
For a detailed analysis of Qube Group and Segment Performance, please refer to the Financial Report section of the Annual Report.

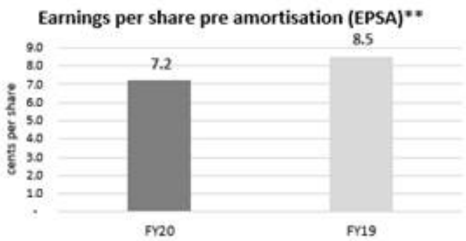
Key Financials*

		FY20	FY19	Percentage movement
Key metrics				
Revenue	$m	1,883.6	1,728.6	9.0%
EBITA	$m	160.3	180.5	(11.2%)
Net profit after tax (NPAT)	$m	104.2	123.2	(15.4%)
Net profit after tax pre amortisation (NPATA)	$m	121.2	139.2	(12.9%)
Net Assets attributable to Qube	$m	3,308.9	2,814.6	17.6%
Net Debt	$m	1,193.3	1,338.5	(10.8%)
Gearing	%	26.0%	32.0%	(6.0%)
Key returns				
Earnings per share (EPS)**	cents	6.2	7.6	(18.4%)
Earnings per share pre amortisation (EPSA)**	cents	7.2	8.5	(15.3%)
Ordinary dividend per share	cents	5.2	5.7	(8.8%)
Special dividend per share	cents	-	1.0	n/a
Weighted av diluted shares**	n. (m)	1,679.7	1,631.6	2.9%

FY20 underlying EBITA mix***







Notes:

*Based on underlying P&L items.

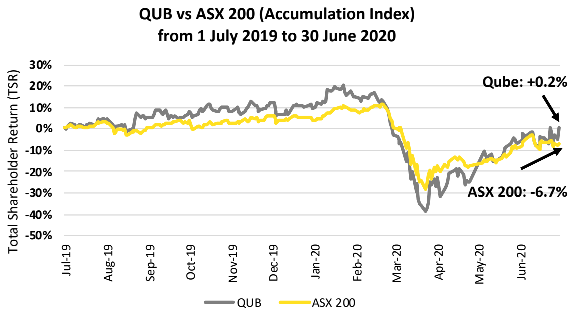
**Weighted average number of shares used to derive these metrics have been adjusted to take into account the dilutionary impact of the Entitlement Offer completed in May 2020.

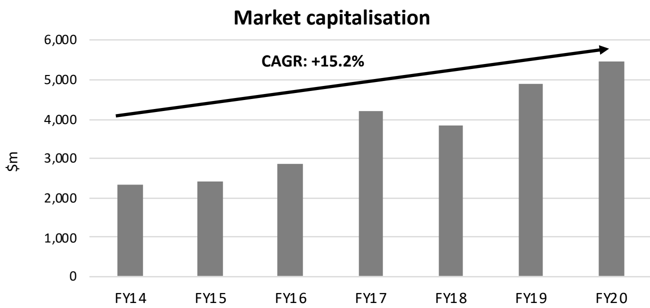
***Indicative split excluding contribution of Corporate Division but including Qube's 50% proportional interest in Patrick's underlying EBITA.

**** ROE is calculated as the annual underlying NPATA divided by the arithmetic average of beginning, half year and year end book value of securityholders' equity which has been adjusted to exclude all investment property related revaluations.

Shareholder Returns

In FY20, Qube's total shareholder return outperformed the ASX200.





5. Short-Term Incentive

a. Key terms

The key terms and conditions of the FY20 Short-Term Incentive Plan are described below:

Participation	The Managing Director and other KMP
Grant date	17 September 2019
Target and maximum opportunity	In FY20, 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 challenging divisional and/or Group financial budgets 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 unbudgeted items both positive and negative. For example, in FY20 budgeted earnings from assumed acquisitions that did not proceed were excluded so that KMP are not penalised and forecast earnings from unbudgeted acquisitions that did proceed raised the Targets. Budgeted interest expense was reduced for debt that was repaid from the proceeds of the unbudgeted capital raising so that the KMP did not benefit from the unbudgeted reduction in interest expense. The Target was adjusted for the loss of budgeted earnings directly impacted by COVID-19 which accounted for approximately 13% of the Target. The Committee recognised transactions during FY20 that delivered significant cash to Qube and enhanced its liquidity position, but which were not reflected in Qube's underlying or statutory earnings. Those transactions were the sale of land acquired as part of the takeover of Chalmers Limited at a price that was higher than the total takeover consideration, the favourable overall transaction terms that increased Qube's interest in Quattro to 100% for net cash proceeds to Qube, and the sale of a minority interest in the BOMC facility for a material premium to the cost. Qube's earnings did not benefit materially from the JobKeeper programme and hence was not a significant factor in the achievement of the financial KPIs.

In summary:

For the financial KPIs, the Managing Director achieved 50% of his maximum STI opportunity. The other KMP achieved between 36% and 63% of their maximum STI opportunity.

For the Safety KPIs, the Managing Director achieved 60% of his STI opportunity, forfeiting 40%. Each of the other KMP achieved 60% of their STI opportunity, forfeiting 40%.

For the non-financial KPIs, the Managing Director achieved 85% of his STI opportunity. The other KMP achieved between 71% and 96% of their STI opportunity.

Overall, the Managing Director was awarded 54% of his maximum STI opportunity. The other KMP were awarded between 43% and 62% of their maximum STI opportunity.

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></tr>
<tr><th>MD</th><th>Other KMP</th></tr>
<tr><td colspan="6">Financial Performance</td></tr>
<tr><td>Group Budget NPATA</td><td>Based on underlying Budget NPATA. A sliding scale applies for outperformance against Adjusted Group Budget NPATA. If the performance is 90% or less than Target, 0%. Between 91% and 115% of Target, a multiplier of 18% to 140% applies on a sliding scale</td><td>30%</td><td>30%</td><td rowspan="4">Group Budget NPATA: Focuses the Managing Director and other KMP on the delivery of financial results in the year. The weighting of 30% provides a strong correlation between financial performance and STI outcomes. Focusses the KMP on the delivery of the overall financial results for the Group in the year. Encourages the KMP to promote integrated logistics solutions for customers across different businesses within Qube. Promotes a "one-Qube" culture.
Divisional Budget EBITA: Focusses the Managing Director on the delivery of the financial result for the year for each Division. Ensures that financial performance of each Division is determinative of the STI outcome and that outperformance in one division is not netted off against the other division in assessing STI outcomes. The weighting of up to 20% provides a strong correlation between financial performance and STI outcomes.</td><td>The Adjusted Group NPATA Target was underperformed by 4% and resulted in a score of 92%. However, given the result was lower than actual Group NPATA the previous year, the Board exercised its discretion to reduce the KPI score to 85%.</td></tr>
<tr><td>Budget EBITA – Operating Division</td><td>Based on underlying Budget EBITA. A sliding scale applies for outperformance Adjusted Budget EBITA. If the performance is 90% or less than Target, 0%. Between 90% and 100% of Target, a multiplier of 50% to 100% applies on a sliding scale.</td><td>10%</td><td>10% - 20%</td><td>The Adjusted EBITA Operating Division Target was underperformed by 2% and resulted in a score of 96%. Cost cutting initiatives enabled the Division to successfully mitigate against some of the impacts of COVID-19.</td></tr>
<tr><td>Budget EBITA – Infrastructure and Property</td><td>Based on underlying Budget EBITA. A sliding scale applies for performance against Target as per above</td><td>10%</td><td>10% - 20%</td><td>The Adjusted EBITA Infrastructure and Property Division Target was underperformed by 23% and resulted in a score of 0%. Earnings from this Division were impacted by lower car volumes in AAT and lower fees from Moorebank Intermodal Company.</td></tr>
<tr><td>Budget NPATA – Strategic Assets</td><td>Based on underlying Budget NPATA. A sliding scale applies for performance against Target as per above</td><td>n/a</td><td>7%</td><td>The Adjusted NPATA Strategic Assets Target was outperformed by greater than 100% of target and resulted in a score of 100%. Improved profitability was achieved through Qube management working with Quattro and Manildra to re-purpose the facility to receive grain imports and mitigate against the effects of the drought in NSW on export grain volumes.</td></tr>
<tr><td colspan="6">Safety and Health</td></tr>
<tr><td>Safety Targets (40% weighting of Target)</td><td>Performance against targets for LTIFR, TRIFR, Class 3 environmental incidents and critical incident frequency rate. No fatalities gateway applies.</td><td rowspan="2">10%</td><td rowspan="2">5-10%</td><td rowspan="2">Qube is committed to the safety and wellbeing of all of its employees. Safety leadership behaviours underpin outcomes in assessing the performance of the Managing Director and other KMP. Qube's approach is to reward management for safety initiatives that improve safety performance but if there is a fatality then 40% of the Safety Score is forfeited. The Board retains discretion to forfeit 100% of the Safety KPI score.</td><td rowspan="2">Performance against the Safety Targets for LTIFR, TRIFR and Class 3 environmental incidents was at Target. Tragically in FY20 within the scope of Qube's operations, there was a fatality in its Bulk business. KMP forfeited 40% of the Safety KPI score. Approximately 30 new safety initiatives were implemented across all of the Divisions resulting in an overall score of 60%.</td></tr>
<tr><td>Safety, Health and Sustainability (SHS) Priorities and Initiatives (60% weighting of Target)</td><td>Implementation of SHS priorities and new initiatives that have the potential to improve safety performance</td></tr>
</table>

5. Short-Term Incentive CONTINUED

Performance Measures	Description	Weighting		Reason Chosen	Performance Assessment
		MD	Other KMP		
Strategy and Growth					
Managing Director	Performance in implementing Group strategy; delivering planning milestones, commencement of IMEX terminal operations and achieving new warehousing leasing milestones at Moorebank Logistics Park; delivering Patrick budget and Patrick business development initiatives.	20%		To ensure the Managing Director and other KMP are focussed on a range of objectives that underpin the growth of the Group	Outperformance: During the period, planning approval for Moorebank Precinct West Stage 2 was secured. Imex Terminal operations commemced with the access arrangements negotiated successfully. Qube entered into two development and long term lease agreements with Woolworths to develop its new national and regional warehouses at Moorebank. Underperformance: The dispute with Moorebank Intermodal Company over the funding of certain upgrade works to the current Moorebank Avenue prior to its relocation, was determined in favour of MIC. Patrick underperformed against the budget set at the beginning of the year. Score - 70%
KMP	Performance hurdles for the Executive KMP are established on an annual basis by the Managing Director, and approved by the Nomination and Remuneration Committee. For the COO, the KPIs include the identification, execution and integration of acquisitions consistent with the Group strategy and other initiatives to deliver sustainable earnings growth. For the Director of Infrastructure and Property, the KPIs include delivering planning milestones, commencement of IMEX terminal operations and achieving new warehousing leasing milestones at Moorebank Logistics Park. For the CFO, the KPIs include implementing effective funding strategies and for the Director of Strategic Assets, General Counsel and Company Secretary, improving the profitablity of Quattro and legal strategies to support the growth and objectives of the business units and Group.		20% - 22.5%		Outperformance: During the period, the takeover of Chalmers significantly exceeded expectations, new significant contract wins included BlueScope and Shell. Planning approval for Moorebank Precinct West Stage 2 was secured. Qube entered into two development and long term lease agreements with Woolworths to develop its new national and regional warehouses at Moorebank. Increased and extended bilateral facilities to ensure Qube maintained an appropriate debt maturity profile, executed a pro-rata capital raising to ensure Qube maintained a strong liquidity position. Resolved the unit holder issues at Quattro to deliver improved returns and effective legal strategies executed to achieve Qube's acquisition and funding objectives. Underperformance: The resolution of disputes with Moorebank Intermodal Company during the period progressed but remained incomplete at the end of the period. Score - 51% - 89%
Business and Operations					
Managing Director	Delivery of key priorities in risk management as determined by the Audit and Risk Management Committee and Safety Health and Sustainability Committee, succession planning, implement Innovation and Technology Strategy, effectiveness as Chair of Patrick, effective stakeholder management including investors, government, customers, port authorities, effective management of Board priorities.	20%		To ensure the Managing Director and other KMP are focussed on a range of objectives that underpin the sustainability of the Group's business and operations	Outperformance: During the period, key priorities in risk management including cyber security review and testing and effectiveness of safety management systems including an external audit, were implemented. Underperformance: Innovation and technology strategy implemented but progress slower due to COVID-19. Score - 91%
KMP	The KPIs include delivery on key priorities in risk management as determined by the Audit and Risk Management Committee and Safety Health and Environment Committee, maintaining effective financial models, develop, execute legal strategies to achieve the Company's objectives.		20% - 22.5%		Outperformance: Key metrics in risk management determined by the Audit and Risk Management Committee were implemented, such as documented monitoring of Qube's key risks, highly effective legal strategies implemented to achieve the company's objectives in the Chalmers acquisition, Woolworths development and leasing and funding intiatives. Underperformance: The dispute with Moorebank Intermodal Company over the funding of certain upgrade works to the current Moorebank Avenue prior to its relocation, was determined in favour of MIC. Score 68% - 94%

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	**2020**	1,173,000	75.3%	53.8%	1,227,000	50%	586,500
	2019	1,389,000	90.8%	64.9%	1,379,075	50%	694,500
Other KMP							
Paul Digney	**2020**	517,000	86.6%	61.9%	540,750	50%	258,500
	2019	612,000	90.5%	64.6%	609,975	50%	306,000
William Hara	**2020**	387,000	71.7%	51.2%	408,000	50%	193,500
	2019	471,000	88.9%	63.5%	485,000	50%	235,500
Paul Lewis	**2020**	396,000	81.4%	58.1%	427,500	50%	198,000
	2019	522,000	96.5%	68.9%	517,475	50%	261,000
Greg Pauline	**2020**	306,000	60.1%	42.9%	347,500	50%	153,000
	2019	472,000	94.4%	67.4%	413,450	50%	236,000

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

6. Long-Term Incentive

a. Current Long-Term Incentive Plan

Qube's current long-term incentive plan is the share appreciation rights (SARs) plan or LTI (SARs) plan 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 approximate 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 shareholders' and managements' interests. Grants of SARs have been made under this plan each financial year since FY17. A summary of the terms of this plan for each of the tranches that have been granted is set out in Annexure 1 of this report. Shareholders approved the issue of shares pursuant to these LTI plans at the Annual General Meetings held in November 2016, November 2017, November 2018, and November 2019.

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) - $2.51
	FY19 LTI (SAR) - $2.61
	FY20 LTI (SAR) - $3.10
	The Initial Prices have been adjusted for special dividends and the discount component of entitlement offers in accordance with market practice.
Performance period	3 years
Vesting price	The volume-weighted average price (VWAP) of Qube Shares calculated over the 30 trading days prior to and including the Vesting Date
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. FY20 LTI grant

Grant date	Vesting date	Expiry date*	Initial price	Value per right at grant date
12-Sep-19	12-Sep-22	12-Sep-24	$3.15	$0.37

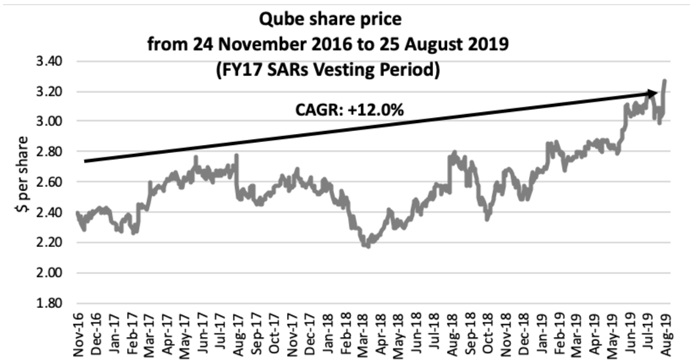
* End of holding lock period.

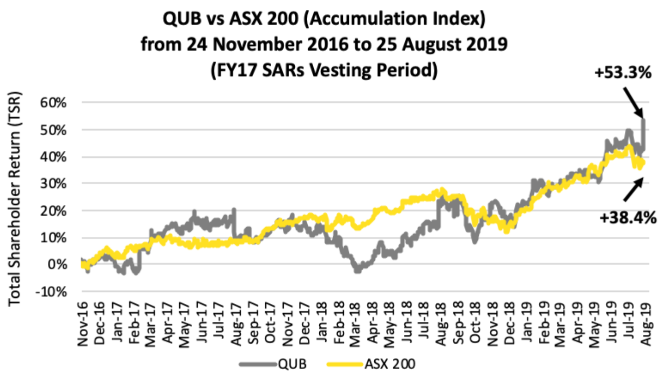
6. Long-Term Incentive CONTINUED

c. FY17 LTI (SARs) Plan

In FY20, the share appreciation rights granted in November 2016 under the FY17 LTI (SARs) Plan vested. The vesting of the legacy LTI schemes was reported in the FY19 Remuneration Report

Over the three-year performance period between November 2016 and August 2019, the Qube share price increased from the initial price of $2.39 to $3.27, representing a compound annual growth rate (CAGR) of 12.0%. Qube's total shareholder return (TSR) over the same period was 53.3%, exceeding the ASX 200's TSR of 38.4%





Although Shareholders had approved the issue of new shares to participants, the Company satisfied its obligation through an employee share trust acquiring existing shares on-market and allocating the vested shares to participants. The on-market acquisition of shares, therefore, did not dilute the holdings of the Company's shareholders.

The vested shares that were allocated to shareholders remain subject to a two-year holding lock until September 2021.

Name	Number of SARs at Vesting Date	Number of Vested Shares Allocated
Managing Director		
Maurice James	3,481,600	686,794
Other key management personnel		
Paul Digney	1,539,483	303,685
William Hara	1,385,535	273,316
Paul Lewis	1,231,587	242,948
Greg Pauline	-	-

d. Other LTI (SARs) Plans

Although the value of other share appreciation rights granted under the FY18 LTI (SARs) plan, FY19 LTI (SARs) plan and FY20 LTI (SARs) plan has fallen in line with recent falls in the share price, the Committee will not vary the SARs on issue or change the LTI (SARs) plan in FY21.

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 six 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	$1,334,500 per annum	12 months
Paul Digney, Chief Operating Officer	On-going commencing 1 September 2011	$814,217 per annum	6 months
William Hara, Company Secretary and General Counsel and Director Strategic Assets	On-going commencing 21 January 2013	$591,865 per annum***	6 months
Paul Lewis, Chief Financial Officer	On-going commencing 1 September 2011	$663,026 per annum***	6 months
Greg Pauline, Director Infrastructure & Property Division	Commenced 4 December 2017, resigned effective 10 July 2020	$610,800 per annum***	6 months

* Fixed Remuneration quoted is for FY20; 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.

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
	$	$	$	$	$	$	$	$
Managing Director								
Maurice James								
FY20	**1,142,688**	**1,227,000**	**-**	**25,000**	**35,620**	**1,498,322**	**-**	**3,928,630**
FY19	1,285,904	1,379,075	-	25,000	26,974	1,397,075	72,065	4,186,093
Other key management personnel								
Paul Digney								
FY20	**790,868**	**540,750**	**-**	**25,000**	**38,667**	**677,567**	**-**	**2,072,852**
FY19	703,280	609,975	-	25,000	12,231	582,376	45,641	1,978,503
William Hara								
FY20	**542,804**	**408,000**	**9,577**	**21,003**	**6,170**	**478,448**	**-**	**1,466,002**
FY19	560,869	485,000	9,464	20,531	16,250	482,282	72,065	1,646,461
Paul Lewis								
FY20	**638,026**	**427,500**	**9,577**	**25,000**	**32,288**	**544,342**	**-**	**1,676,733**
FY19	557,624	517,475	9,464	25,000	13,349	486,332	47,712	1,656,956
Greg Pauline								
FY20	**585,800**	**347,500**	**9,577**	**25,000**	**2,584**	**319,291**	**-**	**1,289,752**
FY19	575,000	413,450	9,464	25,000	-	148,097	-	1,171,011

* Incentive award represents 25% of the FY19 STI, plus 75% of the approved FY20 STI; the remaining 25% of the FY20 STI will be recognised in FY21 subject to certain conditions being met.

Of the cash incentive awards to KMP awarded in FY20, 50% are to be paid in September 2020. The remaining 50% are deferred for one year.

b. Equity settled compensation

(i) STI awards and rights to equity settled compensation

In FY19 and FY20 Qube offered eligible senior executives the option to elect to take all or any portion of their FY19 and FY20 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 the volume weighted average price of Qube shares calculated over the 20 trading days prior to the date.

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

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

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

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-19**	**1,556,917**	**25%**	**1,173,000**	**1,227,000**	**50%**	**586,500**
	Sep-18	1,529,388	9%	1,389,000	1,379,075	50%	694,500
Other key management personnel							
Paul Digney	**Sep-19**	**597,092**	**13%**	**517,000**	**540,750**	**50%**	**258,500**
	Sep-18	676,260	10%	612,000	609,975	50%	306,000
William Hara	**Sep-19**	**539,540**	**28%**	**387,000**	**408,000**	**50%**	**193,500**
	Sep-18	530,000	11%	471,000	485,000	50%	235,500
Paul Lewis	**Sep-19**	**486,219**	**19%**	**396,000**	**427,500**	**50%**	**198,000**
	Sep-18	541,008	4%	522,000	517,475	50%	261,000
Greg Pauline	**Sep-19**	**509,000**	**40%**	**306,000**	**347,500**	**50%**	**153,000**
	Sep-18	500,000	6%	472,000	413,450	50%	236,000

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

Details of STI share rights provided as remuneration to the Managing Director and other 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
Managing Director						
Maurice James	**Sept 20 – Sept 21**	**-**	**-**	**-**	**-**	**-**
	Sept 19 – Sept 20	25%	25%	2.68	129,571	131,646
Other key management personnel						
Paul Digney	**Sept 20 – Sept 21**	**-**	**-**	**-**	**-**	**-**
	Sept 19 – Sept 20	-	-	-	-	-
William Hara	**Sept 20 – Sept 21**	**100%**	**100%**	**3.10**	**124,823**	**150,284**
	Sept 19 – Sept 20	100%	100%	2.68	175,746	192,329
Paul Lewis	**Sept 20 – Sept 21**	**-**	**50%**	**3.10**	**31,931**	-
	Sept 19 – Sept 20	-	-	-	-	-
Greg Pauline	**Sept 20 – Sept 21**	**100%**	**100%**	**3.10**	**98,697**	**58,154**
	Sept 19 – Sept 20	10%	10%	2.68	17,612	18,233

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 2020 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, FY19, and FY20 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.
12-Sep-19	12-Sep-22	12-Sep-24	$3.15	$0.37	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. Statistory 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 LTI schemes. Only the vested Options under the FY16 LTI Plan may affect remuneration in future reporting periods. The terms and conditions of that Plan 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.	0%
EPS hurdle – 75% of issue						
3-Sep-15	3-Sep-18	3-Sep-20 3-Dec-21	$2.24	$2.069– PR $0.369- Option	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 6%.	100%

* Last possible vesting date for performance rights or exercise date for options.

For information concerning how the assessed fair value at the date the Performance Rights and Options granted to the individual is allocated over the period from grant date to the vesting date, please refer to the FY19 Remuneration Report.

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

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	LTI Plan	Total LTIs granted*	Total value of grant** ($)	Value per right ($)	No. of LTIs vested during year
Managing Director					
Maurice James					
Sept 2019	Share Appreciation Rights	4,275,210	1,809,390	0.423	-
Sept 2018	Share Appreciation Rights	4,365,479	1,529,388	0.350	-
Sept 2017	Share Appreciation Rights	3,583,157	1,394,791	0.389	-
Sept 2016	Share Appreciation Rights	3,481,600	1,093,954	0.314	3,481,600
Sept 2015	Performance Rights & Options	2,193,542	1,368,119	0.624	1,645,157
Sept 2014	Performance Rights	642,352	1,177,320	1.833	481,764
		18,541,340	8,372,962		5,608,521
Other key management personnel					
Paul Digney					
Sept 2019	Share Appreciation Rights	2,086,743	883,169	0.423	-
Sept 2018	Share Appreciation Rights	1,930,314	676,260	0.350	-
Sept 2017	Share Appreciation Rights	1,584,388	616,744	0.389	-
Sept 2016	Share Appreciation Rights	1,539,483	483,721	0.314	1,539,483
Sept 2015	Performance Rights & Options	822,577	667,312	0.811	616,933
Sept 2014	Performance Rights	218,399	400,288	1.833	163,799
		8,181,904	3,727,494		2,320,215
William Hara					
Sept 2019	Share Appreciation Rights	978,381	414,078	0.423	-
Sept 2018	Share Appreciation Rights	999,038	350,000	0.350	-
Sept 2017	Share Appreciation Rights	1,425,949	555,070	0.389	-
Sept 2016	Share Appreciation Rights	1,385,534	435,349	0.314	1,385,534
Sept 2015	Performance Rights & Options	786,020	873,424	1.111	589,515
Sept 2014	Performance Rights	184,141	337,498	1.833	138,106
		5,759,063	2,965,419		2,113,155
Paul Lewis					
Sept 2019	Share Appreciation Rights	1,699,257	719,174	0.423	-
Sept 2018	Share Appreciation Rights	1,544,251	541,008	0.350	-
Sept 2017	Share Appreciation Rights	1,267,511	493,395	0.389	-
Sept 2016	Share Appreciation Rights	1,231,586	386,977	0.314	1,231,586
Sept 2015	Performance Rights & Options	786,020	658,622	0.838	589,515
Sept 2014	Performance Rights	175,576	321,801	1.833	131,682
		6,704,201	3,120,977		1,952,783
Greg Pauline					
Sept 2019	Share Appreciation Rights	1,397,687	591,541	0.423	-
Sept 2018	Share Appreciation Rights	1,429,197	500,000	0.350	-
Sept 2017	Share Appreciation Rights	612,818	238,547	0.389	-
		3,439,702	1,330,088		0

* Adjusted for entitlement offer.

** Value adjusted for actual and expected vesting outcomes.

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 ($)	Amount expensed during the year ($)
Managing Director						
Maurice James						
Sep-19	0%	-	0%	FY23	1,809,390	327,562
Sep-18	0%	-	0%	FY22	1,529,388	369,163
Sep-17	0%	-	0%	FY21	1,394,791	535,071
Sep-16	100%	3,481,600	0%	FY20	0	266,527
Sep-15	75%	1,645,157	25%	FY19-FY21	0	0
Sep-14	75%	481,764	25%	FY18-FY20	0	0
		5,608,521			4,733,569	1,498,323
Other key management personnel						
Paul Digney						
Sep-19	0%	-	0%	FY23	883,169	159,884
Sep-18	0%	-	0%	FY22	676,260	163,235
Sep-17	0%	-	0%	FY21	616,744	236,596
Sep-16	100%	1,539,483	0%	FY20	0	117,852
Sep-15	75%	616,933	25%	FY19-FY21	0	0
Sep-14	75%	163,799	25%	FY18-FY20	0	0
		2,320,215			2,176,173	677,567
William Hara						
Sep-19	0%	-	0%	FY23	414,078	74,962
Sep-18	0%	-	0%	FY22	350,000	84,483
Sep-17	0%	-	0%	FY21	555,070	212,936
Sep-16	100%	1,385,534	0%	FY20	0	106,067
Sep-15	75%	589,515	25%	FY19-FY21	0	0
Sep-14	75%	138,106	25%	FY18-FY20	0	0
		2,113,155			1,319,148	478,448
Paul Lewis						
Sep-19	0%	-	0%	FY23	719,174	130,195
Sep-18	0%	-	0%	FY22	541,008	130,588
Sep-17	0%	-	0%	FY21	493,395	189,277
Sep-16	100%	1,231,586	0%	FY20	0	94,282
Sep-15	75%	589,515	25%	FY19-FY21	0	0
Sep-14	75%	131,682	25%	FY18-FY20	0	0
		1,952,783			1,753,577	544,342
Greg Pauline						
Sep-19	0%	-	0%	FY23	591,541	107,089
Sep-18	0%	-	0%	FY22	500,000	120,690
Sep-17	0%	-	0%	FY21	238,547	91,512
		-			1,330,088	319,291

* Adjusted for entitlement offer.

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

2020 Name	Balance at the start of the year*	Granted as compensation LTI	Lapsed	Cancelled for net value**	Other changes*	Balance at the end of the year	Unvested
Maurice James	1,527,149	-	-	-	24,434	1,551,583	-
Paul Digney	572,681	-	-	-	9,163	581,844	-
William Hara	1,883,484	-	-	-	30,136	1,913,620	-
Paul Lewis	547,229	-	-	(547,229)	-	-	-
Greg Pauline	-	-	-	-	-	-	-

* Includes adjustment for entitlement offer.

** The vested options are exercisable approximately 2 years after vesting on 3 December in the relevant year. Executives have the ability to request that the Company cancel their options for their net value in either shares or cash or a combination of both.

Rights to Shares

2020 Name	Balance at the start of the year*	Granted as compensation STI**	Lapsed	Exercised	Other changes*	Balance at the end of the year	Unvested
Maurice James	667,349	64,786	-	-720,180	57,406	69,361	69,361
Paul Digney	208,347	-	-1,028	-228,651	21,332	-	-
William Hara	285,021	87,874	-1,230	-391,775	20,110	-	-
Paul Lewis	274,024	-	-	-293,083	19,059	-	-
Greg Pauline	9,417	8,806	-	-19,003	780	-	-

* Includes adjustment for entitlement offer.

** FY20 STI taken in shares not included as rights are granted in September 2020. FY19 STI taken in shares is included in opening balance.

Share Appreciation Rights

2020 Name	Balance at the start of the year*	Granted as compensation LTI	Lapsed	Exercised	Other changes	Balance at the end of the year*	Unvested
Maurice James	11,305,060	4,207,884	-	- 3,481,600	192,502	12,223,846	12,223,846
Paul Digney	4,998,835	2,053,881	-	- 1,539,483	88,212	5,601,445	5,601,445
William Hara	3,772,332	962,973	-	- 1,385,534	53,598	3,403,369	3,403,369
Paul Lewis	3,999,068	1,672,497	-	- 1,231,586	71,040	4,511,019	4,511,019
Greg Pauline	2,007,889	1,375,676	-	-	54,137	3,437,702	3,437,702

* Includes adjustment for entitlement offer.

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8. Statutory Remuneration Disclosures CONTINUED

(ii) Ordinary share holdings

2020 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	6,918,756	1,338,013	136,681	1,321,805	9,715,255
Paul Digney	638,435	529,549	-	136,078	1,304,062
William Hara	2,147,603	464,759	292,363	594,316	3,499,041
Paul Lewis	55,000	618,348	104,292	-309,692	467,948
Greg Pauline	9,723	-	28,213	7,783	45,719

* 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 2019	Disposed	Other changes	Balance as at 30 June 2020	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 FY20 based on responsibility per non-executive director are as follows:

				Board Committee Fees						
	Board Fees			Audit & Risk Management		Nomination & Remuneration		Safety, Health & Sustainability		
Name	Chair	Deputy Chair	Base Director	Chair	Member	Chair	Member	Chair	Member	Total
	$	$	$	$	$	$	$	$	$	$
Allan Davies	279,975									279,975
Sam Kaplan		208,467		35,700						244,167
Ross Burney			125,070				15,000			140,070
Peter Dexter			125,070			30,000			15,000	170,070
Stephen Mann			125,070						15,000	140,070
Alan Miles			125,070		17,850			30,000		172,920
Sue Palmer			125,070		17,850					142,920
Åge Holm										-
Totals	279,975	208,467	625,350	35,700	35,700	30,000	15,000	30,000	30,000	1,290,192

b. Retirement allowances for non-executive directors

Where appropriate, superannuation contributions required under the Australian Superannuation Guarantee Legislation are included in the non-executive 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[1]				
2020	**$ 226,190**	**-**	**$ 18,788**	**$ 244,978**
2019	$ 239,875	-	$ 20,532	$ 260,407
Sam Kaplan				
2020	**$ 203,145**	**-**	**$ 10,501**	**$ 213,646**
2019	$ 183,227	-	$ 17,407	$ 200,634
Ross Burney				
2020	**$ 111,928**	**-**	**$ 10,633**	**$ 122,561**
2019	$ 104,376	-	$ 9,916	$ 114,292
Peter Dexter				
2020	**$ 135,900**	**-**	**$ 12,911**	**$ 148,811**
2019	$ 127,664	-	$ 12,128	$ 139,792
Stephen Mann[2]				
2020	**$ 86,967**	**-**	**$ 8,262**	**$ 95,229**
2019	-	-	-	-
Alan Miles[3]				
2020	**$ 132,857**	**-**	**$ 12,621**	**$ 145,478**
2019	$ 120,678	-	$ 11,464	$ 132,142
Sue Palmer				
2020	**$ 114,205**	**-**	**$ 10,850**	**$ 125,055**
2019	$ 107,753	-	$ 10,236	$ 117,989
Åge Holm				
2020	-	-	-	-
2019	-	-	-	-

All Non-executive directors reduced their fees by 50% for the last quarter of FY20.

[1]Allan Davies was Chair of the SHS Committee until 30 November 2019. As Chair of the Board, no additional fees were paid for Committee roles.

[2]Stephen Mann was appointed Director on 1 September and Member of the SHS Committee effective 1 December 2019.

[3]Alan Miles was elected to Chair of the SHS Committee, effective 1 December 2019.

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 2019	Dividend reinvestment	Disposed	Other changes (Acquired)	Balance as at 30 June 2020	Balance as at date of this report
Allan Davies	3,416,659	-	-	538,058	3,954,717	3,954,717
Sam Kaplan[1]	1,638,244	-	-	257,992	1,896,236	1,896,236
Maurice James	6,918,756	-	-	2,796,499	9,715,255	9,715,255
Ross Burney	-	-	-	-	-	-
Peter Dexter	200,034	-	-	31,500	231,534	231,534
Stephen Mann	-	-	-	50,000	50,000	50,000
Alan Miles	39,031	197	30,435	1,385	10,178	10,178
Sue Palmer	45,000	-	-	7,087	52,087	52,087
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 2019	Disposed	Other changes	Balance as at 30 June 2020	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
Stephen Mann	-	-	-	-	-
Alan Miles	-	-	-	-	-
Sue Palmer	-	-	-	-	-
Åge Holm	-	-	-	-	-

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

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.

Key terms and conditions for the grants are described below. For further information regarding grant dates and performance conditions please refer to the FY19 Remuneration Report.

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: approximately 2 years from the vesting date EPS Performance Rights and Options: approximately 2 years from the vesting 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 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.
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 consisting 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.
EBITA	Earnings before interest, income tax expense and amortisation. An indicator of a company's operational profitability.
NPATA	Net Profit After Tax and Amortization
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

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Qube Holdings Limited for the year ended 30 June 2020, 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
25 August 2020

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Financial Report

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 $m	2019 $m
Revenue from continuing operations			
Revenue	3	**1,833.7**	1,667.1
Other income	3	**68.3**	171.8
		1,902.0	1,838.9
Direct transport and logistics costs		**(454.6)**	(417.4)
Repairs and maintenance costs		**(110.3)**	(88.0)
Employee benefits expense	4	**(689.8)**	(651.1)
Fuel, oil and electricity costs		**(113.0)**	(118.8)
Occupancy and property costs		**(34.7)**	(93.3)
Depreciation and amortisation expense	4	**(226.9)**	(120.0)
Professional fees		**(17.5)**	(13.3)
Impairment of non-current assets	4	**(18.1)**	(14.0)
Other expenses		**(34.5)**	(17.3)
Total expenses		**(1,699.4)**	(1,533.2)
Finance income		**24.8**	26.7
Finance costs	4	**(89.8)**	(59.4)
Net finance costs		**(65.0)**	(32.7)
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method		**(7.1)**	11.0
Profit before income tax		**130.5**	284.0
Income tax expense	14	**(43.9)**	(88.3)
Profit for the year		**86.6**	195.7
Other comprehensive income net of tax:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	19(a)	**(1.7)**	4.3
Change in fair value of cash flow hedges and cost of hedging	19(a)	**(0.8)**	(0.4)
Share of other comprehensive income of joint venture	19(a)	**(1.7)**	(3.6)
Total comprehensive income for the year		**82.4**	196.0
Profit for the year is attributable to:			
Owners of Qube Holdings Limited		**87.5**	196.6
Non-controlling interests		**(0.9)**	(0.9)
		86.6	195.7
Total comprehensive income for the year is attributable to:			
Owners of Qube Holdings Limited		**83.3**	196.9
Non-controlling interests		**(0.9)**	(0.9)
		82.4	196.0
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic earnings per share	5	**5.2**	12.1*
Diluted earnings per share	5	**5.2**	12.0*

* The comparative information has been restated to include the dilutive impact of the entitlement offer completed in May 2020.

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

Consolidated Balance Sheet

As at 30 June 2020

	Notes	**2020** **$m**	2019 $m
ASSETS			
Current assets			
Cash and cash equivalents	21(a)	**224.2**	139.9
Trade and other receivables	6	**375.8**	361.2
Inventories		**5.0**	4.5
Derivative financial instruments	30	**0.9**	1.0
		605.9	506.6
Assets classified as held for sale	10(d)	**200.1**	-
Total current assets		**806.0**	506.6
Non-current assets			
Loans and receivables	7	**297.0**	300.2
Investment in equity accounted investments	24	**609.9**	678.9
Property, plant and equipment	8	**1,531.7**	1,315.4
Right-of-use assets	9	**650.7**	-
Investment properties	10	**1,103.1**	1,031.6
Intangible assets	11	**872.9**	863.8
Derivative financial instruments	30	**54.5**	31.2
Other assets		**24.3**	19.9
Total non-current assets		**5,144.1**	4,241.0
Total assets		**5,950.1**	4,747.6
LIABILITIES			
Current liabilities			
Trade and other payables	12	**200.6**	179.8
Borrowings	20	**-**	50.0
Lease liabilities	9	**89.2**	1.8
Current tax payable	14(c)	**4.6**	19.2
Derivative financial instruments	30	**0.8**	-
Provisions	13	**100.7**	95.7
Total current liabilities		**395.9**	346.5
Non-current liabilities			
Trade and other payables	12	**2.2**	2.4
Borrowings	20	**1,454.1**	1,433.0
Lease liabilities	9	**647.6**	11.5
Deferred tax liabilities	16	**99.8**	110.8
Derivative financial instruments	30	**34.5**	20.5
Provisions	13	**10.3**	9.5
Total non-current liabilities		**2,248.5**	1,587.7
Total liabilities		**2,644.4**	1,934.2
Net assets		**3,305.7**	2,813.4
EQUITY			
Contributed equity	18	**3,024.3**	2,466.6
Reserves	19	**6.6**	12.5
Retained earnings	19	**278.0**	335.5
Capital and reserves attributable to owners of Qube		**3,308.9**	2,814.6
Non-controlling interests	26	**(3.2)**	(1.2)
Total equity		**3,305.7**	2,813.4

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

Consolidated Statement of Changes in Equity

As at 30 June 2020

		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 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	18(a)	3.4	-	-	3.4	-	3.4
Issue of treasury shares to employees	18(b)	14.5	-	-	14.5	-	14.5
Acquisition of treasury shares	18(b)	(3.9)	-	-	(3.9)	-	(3.9)
Fair value movement on allocation and vesting of securities	18(b)	(2.3)	-	-	(2.3)	-	(2.3)
Dividends provided for or paid		-	-	(137.9)	(137.9)	-	(137.9)
Employee share scheme	19(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**
Change in accounting policy	38(d)	**-**	**-**	**(50.8)**	**(50.8)**	**-**	**(50.8)**
Restated total equity at 1 July 2019		**2,466.6**	**12.5**	**284.7**	**2,763.8**	**(1.2)**	**2,762.6**
Profit for the year		**-**	**-**	**87.5**	**87.5**	**(0.9)**	**86.6**
Other comprehensive income		**-**	**(4.2)**	**-**	**(4.2)**	**-**	**(4.2)**
Total comprehensive income for the year		**-**	**(4.2)**	**87.5**	**83.3**	**(0.9)**	**82.4**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	18(a)	**558.7**	**-**	**-**	**558.7**	**-**	**558.7**
Issue of treasury shares to employees	18(b)	**23.1**	**-**	**-**	**23.1**	**-**	**23.1**
Acquisition of treasury shares	18(b)	**(18.5)**	**-**	**-**	**(18.5)**	**-**	**(18.5)**
Fair value movement on allocation and vesting of securities	18(b)	**(5.6)**	**-**	**-**	**(5.6)**	**-**	**(5.6)**
Dividends provided for or paid		**-**	**-**	**(94.2)**	**(94.2)**	**-**	**(94.2)**
Employee share scheme	19(a)	**-**	**(8.0)**	**-**	**(8.0)**	**-**	**(8.0)**
Transactions with non-controlling interests	19(a)	**-**	**6.3**	**-**	**6.3**	**(1.1)**	**5.2**
		557.7	**(1.7)**	**(94.2)**	**461.8**	**(1.1)**	**460.7**
Balance at 30 June 2020		**3,024.3**	**6.6**	**278.0**	**3,308.9**	**(3.2)**	**3,305.7**

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 2020

	Notes	2020 $m	2019 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**2,027.2**	1,870.9
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,612.5)**	(1,566.1)
		414.7	304.8
Dividends and distributions received		**1.9**	18.4
Interest received		**16.6**	28.2
Other revenue		**0.8**	1.1
Interest paid		**(81.8)**	(56.1)
Income taxes paid		**(57.1)**	(37.6)
Net cash inflow from operating activities	31(a)	**295.1**	258.8
Cash flows from investing activities			
Payment for acquisition of businesses, net of cash acquired	23(d)	**(41.6)**	(129.0)
Payments for property, plant and equipment		**(305.7)**	(330.2)
Payments for investment property		**(209.4)**	(157.4)
Payment for investment in equity accounted investments		**-**	(16.3)
Payments for non-current other assets		**-**	(9.2)
Loans to related entities		**(11.5)**	(11.6)
Loan repayments from related entities		**3.4**	28.7
Proceeds from reduction in capital from equity accounted investments		**2.2**	33.0
Transactions with non-controlling interests	26(a)	**5.2**	-
Proceeds from sale of property, plant and equipment		**78.6**	10.3
Net cash outflow from investing activities		**(478.8)**	(581.7)
Cash flows from financing activities			
Proceeds from share issue	18(a)	**499.7**	-
Share issue transaction costs	18(a)	**(10.4)**	-
Payment for treasury shares	18(b)	**(1.1)**	(3.9)
Proceeds from borrowings		**860.2**	819.8
Repayment of borrowings		**(915.0)**	(321.4)
Net lease (2019 – finance lease) payments		**(74.6)**	(1.7)
Dividends paid to Company's shareholders		**(88.9)**	(134.5)
Net cash inflow from financing activities		**269.9**	358.3
Net increase in cash and cash equivalents		**86.2**	35.4
Cash and cash equivalents at the beginning of the financial year		**139.9**	103.9
Effects of exchange rate changes on cash and cash equivalents		**(1.9)**	0.6
Cash and cash equivalents at end of year		**224.2**	139.9
Non-cash investing and financing activities	31(b)		

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

Notes to the consolidated financial statements

1. About this report

Qube Holdings Limited is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements, comprising the Company, Qube Holdings Limited (referred to as the 'Company' or 'parent entity') and its subsidiaries (collectively referred to as the 'Group' or 'Qube'), for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 25 August 2020. 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 2019. Refer to note 38(d) for further details; and
- equity accounts for associates listed at note 24.

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 property, plant and equipment (note 8);
- estimation uncertainties and judgements made in relation to lease accounting (note 9);
- fair value of investment properties (note 10);
- impairment of goodwill (note 11);
- deferred tax assets (note 15); and
- impairment of equity accounted investments (note 24);

are disclosed separately in the relevant notes.

Where applicable, the expected impact of COVID-19 on these items is also noted.

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

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.

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 Quattro Grain Trust 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 a strategically located property at Minto in Sydney's south west.

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

2020	Operating Division	Infrastructure & Property	Corporate & Other	Patrick*	Total
	$m	$m	$m	$m	$m
Revenue and other income	**1,783.5**	**117.2**	**1.3**	**-**	**1,902.0**
Intercompany trading	-	41.5	-	-	41.5
Fair value losses/(gains)	2.0	(47.1)	-	-	(45.1)
Quattro acquisition bargain purchase gain	-	(14.7)	(1.1)	-	(15.8)
AASB 16 leasing adjustments	(0.1)	1.1	-	-	1.0
Underlying revenue	**1,785.4**	**98.0**	**0.2**	**-**	**1,883.6**

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	**178.8**	**15.1**	**(77.5)**	**14.1**	**130.5**
Share of (profit)/loss of equity accounted investments	(1.2)	0.5	-	7.8	7.1
Net finance (income)/cost	18.2	13.3	55.4	(21.9)	65.0
Depreciation and amortisation	199.6	25.7	1.6	-	226.9
EBITDA	**395.4**	**54.6**	**(20.5)**	**-**	**429.5**
Impairment of investment in associate	6.9	-	-	-	6.9
Quattro acquisition - Impairment of equity accounted investment	-	11.2	-	-	11.2
- Bargain purchase gain	-	(14.7)	-	-	(14.7)
Fair value losses/(gains)	2.0	(47.1)	-	-	(45.1)
AASB 16 leasing adjustments	(82.3)	(17.9)	(1.6)	-	(101.8)
Intercompany trading	(41.5)	41.5	-	-	-
Acquisition costs	2.1	1.3	-	-	3.4
Other	2.8	-	(1.3)	-	1.5
Underlying EBITDA	**285.4**	**28.9**	**(23.4)**	**-**	**290.9**
Underlying depreciation	(121.7)	(8.7)	(0.2)	-	(130.6)
Underlying EBITA	**163.7**	**20.2**	**(23.6)**	**-**	**160.3**
Underlying amortisation	(8.4)	(3.7)	-	-	(12.1)
Underlying EBIT	**155.3**	**16.5**	**(23.6)**	**-**	**148.2**
Underlying net finance income/(cost)	0.9	0.1	(40.3)	21.9	(17.4)
Share of profit/(loss) of equity accounted investments	1.2	(0.5)	-	(7.8)	(7.1)
Underlying adjustments other	0.1	-	-	3.3	3.4
Underlying adjustments AASB 16 leasing	0.1	0.1	-	15.2	15.4
Underlying share of profit/(loss) of equity accounted investments	**1.4**	**(0.4)**	**-**	**10.7**	**11.7**
Underlying net profit/(loss) before income tax	**157.6**	**16.2**	**(63.9)**	**32.6**	**142.5**
Underlying income tax benefit/(expense)	(46.8)	(5.0)	19.2	(6.6)	(39.2)
Underlying net profit/(loss) after tax	**110.8**	**11.2**	**(44.7)**	**26.0**	**103.3**
Underlying non-controlling interests	0.9	-	-	-	0.9
Underlying net profit/(loss) after tax attributable to members	**111.7**	**11.2**	**(44.7)**	**26.0**	**104.2**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**117.6**	**13.8**	**(44.7)**	**34.5**	**121.2**
Underlying diluted earnings per share (cents per share)					**6.2**
Underlying diluted earnings per share pre-amortisation (cents per share)					**7.2**
Total segment assets	**2,820.1**	**2,152.3**	**120.1**	**857.6**	**5,950.1**
Total assets include:					
Investments in associates and joint ventures	38.2	11.1	-	560.6	609.9
Loans to equity accounted investments	-	-	10.4	297.0	307.4
Additions to non-current assets (other than financial assets and deferred tax)	687.4	637.0	7.3	-	1,331.7
Total segment liabilities	**731.3**	**343.7**	**1,569.3**	**-**	**2,644.3**

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

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**
Underlying depreciation	(102.7)	(5.9)	(0.2)	-	(108.8)
Underlying EBITA	**160.6**	**39.2**	**(19.3)**	**-**	**180.5**
Underlying 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 (benefit)/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)***					**7.6**
Underlying diluted earnings per share pre-amortisation (cents per share)***					**8.5**
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**

*A reconciliation of the Patrick underlying contribution to the Qube results can be found in note 24.
**Underlying net profit/(loss) after tax pre-amortisation, includes an adjustment for Qube's proportionate share of Patrick amortisation net of tax.
***The comparative information has been restated to include the dilutive impact of the entitlement offer completed in May 2020.

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

Underlying Information is determined as follows:

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

EBITDA is net profit before tax adjusted to remove share of profit of associates, net finance costs, depreciation and amortisation.

EBITA is **EBITDA** adjusted to remove depreciation.

EBIT is **EBITA** adjusted to remove amortisation.

NPAT is net profit after tax attributable to Qube's shareholders.

NPATA is **NPAT** pre-amortisation net of tax, including Qube's proportionate share of Patrick amortisation net of tax.

(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.

(d) Impact of adoption of leasing standard

The adoption of the new leasing standard described in note 38(d) had the following impact on the segment disclosures in the current year:

	Operating Division $m	Infrastructure & Property $m	Corporate & Other $m	Patrick $m	Total $m
Increase in EBITDA	82.3	17.9	1.6	-	101.8
Increase in Depreciation expense	(69.6)	(13.2)	(1.4)	-	(84.2)
Increase in net Finance costs	(19.0)	(13.4)	(0.3)	-	(32.7)
Decrease in equity accounted profits	(0.1)	(0.1)	-	(15.2)	(15.4)
Net profit/(loss) before income tax	**(6.4)**	**(8.8)**	**(0.1)**	**(15.2)**	**(30.5)**
Increase in Total assets*	384.2	267.3	7.2	(45.1)	613.6
Increase in Total liabilities*	418.2	292.1	9.0	-	719.3
Decrease in Net assets*	**(34.0)**	**(24.8)**	**(1.8)**	**(45.1)**	**(105.7)**

*Excludes tax adjustments

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

	2020 $m	2019 $m
Revenue		
Logistics revenue	**822.4**	706.6
Ports & Bulk revenue	**954.2**	905.3
Rental and property related revenue	**26.2**	24.5
Management fees	**4.2**	9.1
Other revenue	**26.7**	21.6
Total revenue	**1,833.7**	1,667.1
Other income		
Fair value gains on investment property	**45.1**	155.5
Net gain on disposal of property, plant & equipment	**-**	3.2
Quattro acquisition bargain purchase gain	**14.7**	-
Other	**8.5**	13.1
Total other income	**68.3**	171.8

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

	2020 $m	2019 $m
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**6.2**	3.5
Plant and equipment	**111.9**	97.7
Leasehold improvements	**11.5**	7.6
Right-of-use asset	**85.2**	-
Total depreciation *(refer note 8 & 9)*	**214.8**	108.8
Amortisation		
Customer contracts	**8.4**	7.5
Port concessions	**3.7**	3.7
Total amortisation *(refer note 11)*	**12.1**	11.2
Total depreciation and amortisation expense	**226.9**	120.0
Finance costs		
Interest and finance costs paid/payable	**53.7**	53.6
Lease borrowing costs (refer note 9)	**33.1**	-
Finance lease charges expensed	**-**	0.6
Total interest and finance charges expense	**86.8**	54.2
Interest capitalised	**(11.8)**	(14.1)
Fair value adjustments – derivative instruments	**14.8**	19.3
Total finance costs	**89.8**	59.4
Rental expense relating to operating leases		
Property	**9.8**	72.7
Plant, equipment and motor vehicles	**1.5**	31.6
Total rental expense relating to operating leases (*refer* note 9)	**11.3**	104.3
Employee benefits expense		
Defined contribution superannuation expenses	**40.9**	38.2
Share-based payment expenses *(refer note 35(c))*	**7.0**	6.5
Other employee benefits expense	**641.9**	606.4
Total employee benefits expense	**689.8**	651.1
Other expenses includes:		
Impairment of investments in associate (*refer note 24)*	**18.1**	14.0
	18.1	14.0

Right of use asset depreciation and lease borrowing costs

Additional costs relating to right-of-use assets and lease liabilities have been recognised in accordance with AASB 16 Leases, which the Group adopted with effect from 1 July 2019. Over and above costs relating to existing finance leases, additional depreciation and net borrowing expenses of $84.2 million and $32.7 million, respectively, have been recognised in the current reporting period. The adoption of AASB 16 has resulted in a decrease in rental expense relating to operating lease payments of $102.8 million and reduction of operating lease income of $1.0 million.

Amounts in the comparative period have not been restated. Refer to note 38(d).

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

The Group has changed its accounting policy for leases where the Group is the lessee in accordance with AASB 16. The new policy is described in note 9 and the impact of the change in note 38(d).

Until 30 June 2019, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 28(b)). 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

	2020	2019
(a) Basic earnings per share	**Cents**	Cents
Total basic earnings per share attributable to the ordinary equity holders of the Company	**5.2**	12.1
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**5.2**	12.0
(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	**87.5**	196.6
(d) Weighted average number of shares used as the denominator (iii)	**Number**	Number
Weighted average number of ordinary shares used as the denominator in calculating:		
Basic earnings per share	**1,677,502,186**	1,629,070,240
Diluted earnings per share	**1,679,732,803**	1,631,619,540

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.

(iii) Entitlement Offer

Both the current and prior year weighted average number of shares and earnings per share have been adjusted to take into account the dilutionary impact of the Entitlement Offer completed in May 2020.

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	2020 $m	2019 $m
Trade receivables	**286.3**	265.2
Loss allowance (a)	**(13.0)**	(6.1)
	273.3	259.1
Prepayments	**35.5**	34.4
Accrued revenue	**33.1**	43.1
Lease receivable	**0.7**	-
Interest receivable	**10.0**	1.8
Other	**23.2**	22.8
	375.8	361.2

(a) Impaired trade receivables

As at 30 June 2020 the loss allowance was $13.0 million (2019: $6.1 million). Qube has not experienced any significant deterioration in the collectability of receivables in FY20 due to COVID-19. However, Qube considers that the ongoing impact of COVID-19 may result in challenges for a number of Qube's customers which could impact the recoverability of Qube's receivables. Accordingly, Qube has increased its loss allowance in the period by $6.0 million to reflect the expectation of an increase in future losses as a result of the impact of the COVID-19 pandemic. Qube 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.

	2020 $m	2019 $m
The ageing of these receivables is as follows:		
Up to 3 months	**(6.6)**	-
3 months and greater	**(6.4)**	(6.1)
	(13.0)	(6.1)
Movements in the loss allowance for impairment of receivables is as follows:		
Carrying amount at start of year	**(6.1)**	(8.5)
Provision for impairment recognised during the year	**(7.0)**	0.4
Receivables written off during the year as uncollectible	**0.2**	2.1
Provisions acquired as part of acquisition	**(0.1)**	(0.1)
Carrying amount at end of year	**(13.0)**	(6.1)

(b) Credit risk

	2020 $m	2019 $m
Up to 3 months		
Trade receivables	**269.4**	248.0
Loss allowance	**(6.6)**	-
	262.8	248.0
3 months and greater		
Trade receivables	**16.9**	17.2
Loss allowance	**(6.4)**	(6.1)
	10.5	11.1
Total	**273.3**	259.1

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.

Accrued revenue are contract assets and relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

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 past default experience of the debtor and an analysis of the debtor and analysis of the debtor’s current financial position. The ECLs 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.

At 30 June 2020, Qube increased its loss allowance to reflect the expected challenging operating environment due to COVID-19, including potential restrictions, shut-downs and reduced trading volumes and economic activity. Depending on the occurrence and severity of these events and particularly the impact on Qube’s customer base, as well as any Government initiatives to mitigate the adverse impact, Qube may experience an increase in the level of unrecoverable receivables.

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

	2020	2019
	$m	$m
Loans and receivables	**297.0**	300.2

The Group has provided a related party loan to Patrick as part of the acquisition of its 50% interest in August 2016, the balance of which is $297.0 million at 30 June 2020 (2019: $300.2 million). 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 2020 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.

8. Property, plant and equipment

	Land & Buildings $m	Plant & Equipment $m	Leasehold Improvements $m	Total $m
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
Year ended 30 June 2020				
Opening net book amount	**200.9**	**914.9**	**199.6**	**1,315.4**
Acquisition of businesses	**66.4**	**19.4**	**36.2**	**122.0**
Additions	**32.4**	**265.6**	**16.6**	**314.6**
Reclassifications	**-**	**(6.9)**	**-**	**(6.9)**
Reclassification from investment property	**-**	**0.7**	**-**	**0.7**
Disposals	**(65.5)**	**(17.8)**	**-**	**(83.3)**
Exchange rate differences	**-**	**(1.2)**	**-**	**(1.2)**
Depreciation charge	**(6.2)**	**(111.9)**	**(11.5)**	**(129.6)**
Closing net book amount	**228.0**	**1,062.8**	**240.9**	**1,531.7**
At 30 June 2020				
Cost	**266.0**	**1,772.9**	**315.0**	**2,353.9**
Accumulated depreciation	**(38.0)**	**(710.1)**	**(74.1)**	**(822.2)**
Net book amount	**228.0**	**1,062.8**	**240.9**	**1,531.7**

(a) Leased assets

As at 30 June 2019, plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2020 **$m**	2019 $m
Leased equipment		
Cost	**-**	11.2
Accumulated depreciation	**-**	(4.3)
Net book amount	**-**	6.9

From 1 July 2019 leased assets are presented as a separate line item in the balance sheet, see note 9. Refer to note 38(d) for details about the changes in accounting policy.

These assets are pledged as security for the finance leases (refer note 9).

ACCOUNTING POLICY

Property, plant and equipment is stated at historical cost less depreciation and impairment. 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

The Group has changed its accounting policy for leases where the Group is the lessee in accordance with accounting standard AASB 16. The new policy is described in note 9 and the impact of the change in note 38(d).

Until 30 June 2019, 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 were capitalised at the lease’s inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset’s useful life and the lease term.

Impairment

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of property, plant and equipment

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

9. Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see note 10.

The Group leases various offices, warehouses, land, equipment and vehicles. Qube has a multitude of rental contracts of varying lengths going out as far as 99 years however, the majority are for fixed periods of 3 to 8 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes in relation to the Group's current facilities.

a) The balance sheet shows the following amounts relating to leases:

Right-of-use assets

	2020	1 July 2019*
	$m	$m
Land & buildings	**592.6**	517.4
Vehicles	**39.4**	37.4
Equipment	**18.7**	27.5
	650.7	582.3

Additions and additions through acquisition to the right-of-use assets during the 2020 financial year were $163.9m

Lease liabilities

	2020	1 July 2019*
	$m	$m
Current	**89.2**	86.8
Non-current	**647.6**	540.0
	736.8	626.8

*In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment. Prior year finance lease liabilities of $13.3 million have been reclassified from Group borrowings to lease liabilities. For further adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to note 38(d).

b) The income statement shows the following amounts relating to leases (refer note 4):

	2020	2019
	$m	$m
Depreciation charge of right-of-use assets		
Land & buildings	**52.0**	-
Vehicles	**22.3**	-
Equipment	**10.9**	-
	85.2	-
Lease borrowing costs	**33.1**	-
Expense relating to short-term leases and leases of low value assets	**11.3**	-

The total cash outflow for leases during the 2020 financial year was $101.3 million.

ACCOUNTING POLICY

Until 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. From 1 July 2019, the Group recognises all leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Determining the lease term of contracts with renewal options

The Group has a number of lease contracts (primarily property leases) with extension options and applies judgement in evaluating all relevant factors to determine whether these extension options are reasonably certain to be exercised.

The Group typically exercises its option to extend these leases because there will be a significant negative effect on operations if a replacement property is not readily available and the leased property is no longer available to the Group.

10. Investment properties

	2020 $m	2019 $m
Opening balance at 1 July	**1,031.6**	701.6
Capitalised subsequent expenditure	**208.1**	122.4
Net gain from fair value adjustments	**45.1**	155.5
Acquisition of investment property	**-**	41.3
Reclassification to property, plant & equipment	**(0.7)**	-
Reclassification to assets classified as held for sale	**(200.1)**	-
Finance lease asset	**9.7**	1.0
Capitalised interest	**7.2**	9.8
Straight-lining of operating lease rental income	**2.2**	-
Closing balance at 30 June	**1,103.1**	1,031.6

(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, held for rental yield, or, in the case of Minto held for sale. These properties are not occupied by the Group. They are carried at fair value in accordance with Qube's accounting policy.

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

	2020 $m	2019 $m
Rental income	**24.2**	18.6
Direct operating expenses from property that generated rental revenue	**(11.7)**	(7.2)

(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:

	2020 $m	2019 $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	**20.6**	19.6
Later than one year but not later than 5 years	**55.6**	50.5
Later than 5 years	**40.8**	49.0
	117.0	119.1

(d) Assets classified as held for sale

On 15 July 2020, Qube announced that it had exchanged contracts for the sale of Minto Properties with entities managed by Charter Hall for a price, before tax, transaction costs and adjustments, of around $207.0 million. This sale is expected to complete in September 2020.

	2020 $m	2019 $m
Investment Property	**200.1**	-

The primary valuation methodology for the Group's Minto investment property is the agreed sale value based on the binding sales contract with entities managed by Charter Hall less expected transaction costs and adjustments. This resulted in a fair value uplift of $39.0 million.

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 2020, the directors have assessed the fair value for the warehousing component of the Moorebank Logistics Park development after considering the latest valuations and subsequent capital works-in-progress.

Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. Investment properties that are carried at fair value are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

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 22.

In the case of MLP, there are a number of assumptions determined by management in relation to the forecast cost to complete certain works that are necessary inputs to determine the fair value. Where possible management obtains an independent review of these costs. For some of these items, this also requires a judgement as to Qube’s funding responsibility for the works relative to other parties. The actual outcomes could be materially different if the costs vary materially from managements assumptions used in the fair value analysis.

11. Intangible assets

	Goodwill	Port Concessions	Customer contracts	Total
	$m	$m	$m	$m
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)
	744.2	103.9	15.7	863.8
Year ended 30 June 2020				
Opening net book amount	**744.2**	**103.9**	**15.7**	**863.8**
Acquisition of businesses	**21.7**	**-**	**-**	**21.7**
Exchange differences	**(0.5)**	**-**	**(0.1)**	**(0.6)**
Amortisation charge	**-**	**(3.7)**	**(8.3)**	**(12.0)**
Closing net book amount	**765.4**	**100.2**	**7.3**	**872.9**
At 30 June 2020				
Cost	**765.4**	**113.5**	**74.0**	**952.9**
Accumulated amortisation and impairment	**-**	**(13.3)**	**(66.7)**	**(80.0)**
Net book amount	**765.4**	**100.2**	**7.3**	**872.9**

(a) Allocation of goodwill to cash generating units

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.

	2020	2019
	$m	$m
Operating Division	**719.1**	697.9
Infrastructure & Property	**46.3**	46.3
	765.4	744.2

(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.

The COVID-19 pandemic has resulted in reduced volumes and earnings across some of Qube's customer base, and also led to increased costs associated with revised operating practices and additional cleaning and health related activities,

The uncertainty regarding the impact and duration of the COVID-19 pandemic has increased the difficulty in reliably forecasting Qube's medium term cashflows and therefore the outcome of the impairment assessment.

To reflect this fact, Qube has undertaken a scenario analysis as part of its impairment testing, adopting a Low, Base and High case analysis to reflect different severity assumptions regarding the impact of COVID-19 on Qube's cashflows. Management has then assessed the probability of each of these scenarios occurring to determine whether or not a CGU is impaired.

(b) Impairment tests for goodwill (continued)

In assessing the probability of each outcome, Qube has given the highest weighting to its Base Case, which reflected the Board approved budget and medium-term forecasts. These cash flows incorporate the expectation of the ongoing impact of COVID-19 during FY21 with the recovery commencing in the second half and a full period recovery commencing in FY22.

The probability weighting reflected that COVID-19 has not affected all parts of Qube's businesses uniformly with some sizeable parts of the business largely unaffected to date by the pandemic. For those areas of the business that have been more significantly impacted, there has not been any adverse structural change to the long-term growth outlook for these markets or Qube's relative competitive positioning within these markets that would support a higher weighting for the Low Case. The probability weighting also reflected the high degree of variability in Qube's cost base which should enable Qube to partly mitigate the impact to its cashflows of a more severe downturn compared to the assumptions in the Base Case.

ACCOUNTING POLICY

(i) Goodwill

Goodwill on acquisitions of businesses is included in intangible assets and is measured as described in note 23. 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 reflect the continued impact of COVID-19 in the first half of FY21 with a recovery commencing in the second half and a full recovery thereafter which is maintained in the period to FY24. No significant changes to the methodology of the underlying models have been made. However, for the majority of the CGU's, management has prepared a Low, Base and High Case valuation using different cashflow assumptions as well as different discount rates. A probability has then been attributed to each of these cases to derive the assessed value for impairment testing purposes.

The valuation methodology adopted for the Operating Division is now the fair value less costs to sell methodology as opposed to a value-in-use methodology previously used. The valuation methodology adopted for AAT continues to be the fair value less costs to sell methodology. For both these CGUs, the impairment testing at 30 June 2020 also included the testing the recoverability of the right-of-use assets associated with the new leasing standard AASB 16. No other significant changes to the methodology of the underlying models and assumptions have been made.

	Long-term growth rate		**Discount rate**	
CGU	**2020 %**	**2019 %**	**2020 %**	**2019 %**
Operating Division (Logistics and Ports & Bulk)	**2.5**	2.5	**12.3**	11.7
Infrastructure & Property (AAT)	**2.5**	2.5	**11.4**	11.2

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 AAT, but it would in the case of the Operating Division. In the case of the Operating Division, these scenarios result in a conservative valuation which may not represent a market participant's view on valuation given the quality and strong market positioning of Qube's business.

It is noted that compared to the FY19 analysis, the cashflow forecasts used in the FY20 impairment analysis for the Operating Division have been reduced, and the discount rate has been increased by 0.40%. These changes include revised operating earnings to reflect the uncertainty resulting from COVID-19 on domestic and global economic growth which may have a consequential impact on Qube's customers and therefore Qube's earnings and cashflow. It does not reflect any change to Qube's competitive position or Qube's views as to the long-term favourable characteristics of its key markets.

Although it is possible for an EBITDA decline of this magnitude to occur, the management of the Operating Division has a sound track record in materially meeting its forecasts. Additionally, given Qube's diverse operations, strong market positions underpinned by strategic assets, low cost base with a high degree of variability, long-term customer relationships and experienced management team, Qube is well positioned to be able to effectively respond to challenging markets to mitigate the impact on its earnings.

12. Trade and other payables

	2020	2019
	$m	$m
Current		
Trade payables and accruals	**193.9**	174.6
GST payable	**6.7**	5.2
	200.6	179.8
Non-current		
Trade payables and accruals	**0.4**	0.5
Deferred consideration	**1.8**	1.9
	2.2	2.4

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.

13. Provisions

	2020			2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$m	**$m**	**$m**	$m	$m	$m
Employee benefits	**100.7**	**10.3**	**111.0**	92.9	9.5	102.4
Onerous contract (property lease)	**-**	**-**	**-**	1.6	-	1.6
Other	**-**	**-**	**-**	1.2	-	1.2
	100.7	**10.3**	**111.0**	95.7	9.5	105.2

(a) Movements in provisions

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

2020	**Onerous contract $m**	**Other $m**	**Total $m**
Carrying amount at beginning of year	**1.6**	**1.2**	**2.8**
Provision adjustments due to implementation of AASB 16 Leases	**(1.6)**	**(1.2)**	**(2.8)**
Carrying amount at end of year	**-**	**-**	**-**

(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:

	2020	2019
	$m	$m
Leave obligations expected to be settled after 12 months	**24.0**	18.4

ACCOUNTING POLICY

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

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

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

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.

14. Income tax expense

	2020 $m	2019 $m
(a) Income tax expense		
Current tax	**43.2**	48.7
Deferred tax assets	**9.5**	(6.7)
Deferred tax liabilities	**(6.4)**	45.5
Adjustments for deferred tax of prior periods	**(2.3)**	-
Adjustments for current tax of prior periods	**(0.1)**	0.8
	43.9	88.3
Deferred income tax expense included in income tax expense comprises:		
Decrease / (Increase) in deferred tax assets	**9.6**	(6.7)
(Decrease) / Increase in deferred tax liabilities	**(8.8)**	45.5
	0.8	38.8

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

	2020 $m	2019 $m
Profit before income tax expense	**130.5**	284.0
Tax at the Australian tax rate of 30% (2019: 30%)	**39.1**	85.2
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable equity accounted profit	**2.1**	(3.3)
Deferred tax not recognised on investment properties fair value gain	**-**	-
Deferred tax not recognised on impairment of an associate	**2.1**	4.2
Non-deductible acquisition costs	**0.3**	-
Losses not recognised in overseas jurisdictions	**-**	1.1
Difference in overseas tax rate	**(0.3)**	(0.2)
Prior year adjustments	**(0.1)**	0.8
Sundry items	**0.7**	0.5
Income tax expense	**43.9**	88.3

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

	2020 $m	2019 $m
Income tax expense	**43.9**	88.3
Movement in deferred tax	**(0.8)**	(38.8)
PAYG Instalments paid	**(38.5)**	(30.3)
Income tax payable	**4.6**	19.2

(d) Amounts recognised directly in equity	**2020 $m**	2019 $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	**3.1**	-

(e) Effective tax rates

	2020	2019
Australian accounting consolidated group effective tax rate	**34%**	31%

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

15. Deferred tax assets

	2020 $m	2019 $m
The balance comprises temporary differences attributable to:		
Employee benefits	**32.9**	29.7
Plant and equipment	**16.3**	14.8
Lease liabilities	**214.8**	-
Capital losses	**5.6**	5.9
Other	**35.7**	20.2
Total deferred tax assets	**305.3**	70.6
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(305.3)**	(70.6)
Net deferred tax assets	**-**	-
Deferred tax assets expected to be recovered within 12 months	**70.1**	32.0
Deferred tax assets expected to be recovered after more than 12 months	**235.2**	38.6
	305.3	70.6

Movements in deferred tax assets:	**Employee benefits $m**	**Plant and equipment $m**	**Lease liabilities $m**	**Capital losses $m**	**Other $m**	**Total $m**
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
Credited/(charged)						
• to profit or loss	**2.3**	**1.5**	**(21.0)**	**(0.3)**	**7.9**	**(9.6)**
• directly to equity	**-**	**-**	**-**	**-**	**3.1**	**3.1**
• adjustment on adoption of AASB 16	**-**	**-**	**184.5**	**-**	**0.3**	**184.8**
Lease additions	**-**	**-**	**51.3**	**-**	**0.1**	**51.4**
Acquisition of subsidiary	**0.9**	**-**	**-**	**-**	**4.1**	**5.0**
At 30 June 2020	**32.9**	**16.3**	**214.8**	**5.6**	**35.7**	**305.3**

16. Deferred tax liabilities

	2020	2019
	$m	$m
The balance comprises temporary differences attributable to:		
Plant and equipment	**29.7**	28.0
Intangible assets	**29.4**	33.7
Investment property	**134.7**	115.0
Right-of-use assets	**200.6**	-
Other provisions	**10.7**	4.7
	405.1	181.4
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(305.3)**	(70.6)
Net deferred tax liabilities	**99.8**	110.8
Deferred tax liabilities expected to be settled within 12 months	**16.6**	2.8
Deferred tax liabilities expected to be settled after more than 12 months	**388.5**	178.6
	405.1	181.4

Movements in deferred tax liabilities:	**Plant and equipment**	**Intangible assets**	**Investment property**	**Right-of-use assets**	**Other provisions**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
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
Charged/(credited)						
• to profit or loss	**(3.1)**	**(3.4)**	**17.3**	**(25.7)**	**6.1**	**(8.8)**
• to other comprehensive income	**-**	**-**		**-**	**0.4**	**0.4**
• adjustment on adoption of AASB 16	**-**	**-**		**175.0**	**-**	**175.0**
Balance sheet reallocations	**-**	**(0.9)**	**2.4**	**-**	**(0.5)**	**1.0**
Lease additions	**-**	**-**		**51.3**	**-**	**51.3**
Acquisition of subsidiaries	**4.8**	**-**		**-**	**-**	**4.8**
At 30 June 2020	**29.7**	**29.4**	**134.7**	**200.6**	**10.7**	**405.1**

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 are 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.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The deferred tax assets include an amount in relation to unused capital losses to the extent that the Group has concluded that it is probable that there will be future capital gains available against which the unused capital losses can be utilised. Subject to meeting continuity of business or ownership tests the losses can be carried forward indefinitely and have no expiry date.

CAPITAL AND BORROWINGS

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

17. Dividends

(a) Ordinary shares	**2020 $m**	2019 $m
Final dividend for the year ended 30 June 2019 of 2.9 cents per fully paid share paid on 18 October 2019 (2018: 2.8 cents per fully paid share and a special dividend of 2.0 cents paid on 19 October 2018)		
Fully franked based on tax paid at 30%	**47.1**	76.9
Interim dividend for the year ended 30 June 2020 of 2.9 cents per fully paid share paid on 7 April 2020 (2019: 2.8 cents per fully paid share and a special dividend of 1.0 cents paid on 4 April 2019)		
Fully franked based on tax paid at 30%	**47.1**	61.0
	94.2	137.9

(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 2.3 cents per fully paid ordinary share, (2019: 2.9 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 21 October 2020 (2019: 18 October 2019) out of retained earnings at 30 June 2020, but not recognised as a liability at the end of the year, is	**43.3**	47.1

(c) Franked dividends

The franked portion of the final dividend 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 2020.

	Consolidated		**Parent entity**	
	2020 $m	2019 $m	**2020 $m**	2019 $m
Franking credits available for subsequent financial years based on a tax rate of 30% (2019: 30%)	**117.6**	106.3	**117.6**	106.3

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

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

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

ACCOUNTING POLICY

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

18. Contributed equity

Share capital	Notes	**2020** **Shares**	2019 Shares	**2020** **$m**	2019 $m
Ordinary shares					
Fully paid	(a)	**1,883,518,039**	1,606,252,093	**3,034.1**	2,475.4
Less: Treasury shares	(b)	**(223,717)**	(2,128,736)	**(9.8)**	(8.8)
Total contributed equity		**1,883,294,322**	1,604,123,357	**3,024.3**	2,466.6

(a) Movements in ordinary shares:

Date	Details	Number of shares	Issue price	$m
1 July 2018	Opening 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
23 August 2019	Acquisition of subsidiary (Chalmers)	**12,987,019**	**$3.27**	**42.5**
11 September 2019	Acquisition of subsidiary (Chalmers)	**162,876**	**$3.25**	**0.5**
16 September 2019	Employee share plan issues	**5,495,409**	**$3.153**	**17.3**
18 October 2019	Dividend reinvestment plan	**751,939**	**$3.1808**	**2.4**
7 November 2019	Employee share plan issues	**186,609**	**$3.25**	**0.6**
7 April 2020	Dividend reinvestment plan	**1,409,430**	**$2.1235**	**3.0**
12 May 2020	Entitlement offer-Institutional	**135,145,556**	**$1.95**	**263.5**
28 May 2020	Entitlement offer-Retail	**121,127,108**	**$1.95**	**236.2**
	Less: Share issue transaction costs, net of tax			**(7.3)**
30 June 2020	Closing balance	**1,883,518,039**		**3,034.1**

(b) Movements in treasury shares:

Date	Details	Number of shares	Average purchase price	$m
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)
1 July 2019	Opening balance	(2,128,736)		(8.8)
	Transfer of treasury shares	**7,932,322**	**$2.909**	**23.1**
	Treasury shares issued	**(5,527,303)**	**$3.146**	**(17.4)**
	Treasury shares purchased	**(500,000)**	**$2.159**	**(1.1)**
	Fair value movement on allocation and vesting of securities	**-**		**(5.6)**
30 June 2020	Closing Balance	**(223,717)**		**(9.8)**

(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 35.

(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 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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19. Reserves and retained earnings

	2020 $m	2019 $m
Reserves		
Business combination reserve	**28.4**	28.4
Transactions with non-controlling interests reserve	**(33.9)**	(40.2)
Share-based payments reserve	**17.3**	25.3
Foreign currency translation reserve	**0.3**	2.0
Cash flow hedging reserve	**(1.2)**	(0.4)
Share of other comprehensive income of joint venture	**(4.3)**	(2.6)
	6.6	12.5

(a) Movements in reserves:

	2020 $m	2019 $m
Transactions with non-controlling interests reserve		
Balance 1 July	**(40.2)**	(40.2)
Disposal of partial interest in subsidiary (refer note 26)	**6.3**	-
Balance 30 June	**(33.9)**	(40.2)
Share-based payments reserve		
Balance 1 July	**25.3**	31.8
Share-based payments	**(15.0)**	(13.0)
Employee share plan expense	**7.0**	6.5
Balance 30 June	**17.3**	25.3
Foreign currency translation reserve		
Balance 1 July	**2.0**	(2.3)
Currency translation differences, net of tax	**(1.7)**	4.3
Balance 30 June	**0.3**	2.0
Hedging reserve		
Balance 1 July	**(0.4)**	-
Cumulative (gain)/loss arising on changes in fair value of hedging instruments		
• Forward exchange contracts – Cash flow hedge reserve	**(0.5)**	(0.3)
• Cross-currency interest rate swaps – Cash flow hedge reserve	**0.7**	0.5
• Foreign exchange options – Cash flow hedge reserve	**(1.3)**	(0.8)
Deferred tax arising on cash flow hedges	**0.3**	0.2
Balance 30 June	**(1.2)**	(0.4)
Share of other comprehensive income of joint venture		
Balance 1 July	**(2.6)**	1.0
Share of Patrick’s other comprehensive income	**(1.7)**	(3.6)
Balance 30 June	**(4.3)**	(2.6)

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 38(b) 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 30 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 30. 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:	**2020** **$m**	2019 $m
Balance 30 June	**335.5**	276.8
Adjustment on adoption of AASB 16 (net of tax)	**(50.8)**	-
Balance 1 July	**284.7**	276.8
Net profit for the year	**87.5**	196.6
Dividends paid	**(94.2)**	(137.9)
Balance 30 June	**278.0**	335.5

20. Borrowings

	2020	2019
	$m	$m
Current		
Unsecured		
Bank loans	**-**	50.0
Total current borrowings	**-**	50.0
Non-current		
Unsecured		
Bank loans	**765.7**	770.5
Other financiers	**150.0**	150.0
Medium term notes	**243.1**	218.8
Subordinated notes	**305.0**	305.0
Less capitalised establishment costs	**(9.7)**	(11.3)
Total non-current borrowings	**1,454.1**	1,433.0

Bank and other facilities

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

		2020		2019	
Facility	**Maturity**	**Facility**	**Utilised***	Facility	Utilised*
Bank Loans		**$m**	**$m**	$m	$m
Bilateral term facility	July 2019	**-**	**-**	50.0	50.0
Bilateral bridge facilities	Dec 2021	**200.0**	**200.0**	-	-
Bilateral revolving facility (NZD)**	July 2022	**60.7**	**60.7**	62.1	45.5
Bilateral revolving facilities	Aug 2022	**100.0**	**-**	100.0	-
Bilateral revolving facilities	May 2023	**100.0**	**-**	-	-
Bilateral revolving facilities	Aug 2023	**75.0**	**75.0**	75.0	75.0
Bilateral revolving facilities	Oct 2023	**530.0**	**140.0**	610.0	400.0
Bilateral revolving facilities	Nov 2023	**250.0**	**190.0**	250.0	250.0
Bilateral revolving facilities	June 2024	**50.0**	**-**	-	-
Bilateral revolving facilities	Oct 2024	**100.0**	**100.0**	-	-
Bilateral revolving facilities	May 2025	**30.0**	**-**	-	-
Bilateral revolving facilities	Nov 2025	**100.0**	**-**	100.0	-
Other Financiers					
Bilateral term facility	June 2024	**150.0**	**150.0**	150.0	150.0
US Private Placement					
Medium term notes (USD)**	Oct 2024	**62.4**	**62.4**	57.8	57.8
Medium term notes (USD)**	Oct 2027	**130.7**	**130.7**	117.1	117.1
Medium term notes (USD)**	Oct 2029	**50.0**	**50.0**	43.9	43.9
Subordinated notes	Oct 2023	**305.0**	**305.0**	305.0	305.0

* Excludes bank guarantees drawn totaling $37.7 million (2019: $29.4 million) drawn under the Bilateral Revolving Facilities.

** Australian dollar equivalent.

During the period, the Group undertook several funding initiatives including putting in place a further $500 million in bank debt facilities and repaying $150 million in facilities that were due to mature in July 2019 and December 2021.

Qube's debt facilities have a weighted average maturity in excess of 3.6 years at 30 June 2020 (4.6 years at 30 June 2019). No debt facilities mature within the next 12 months and therefore, the Group has classified all borrowings as non-current liabilities.

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 30.

One of the bilateral bridge facilities may be repayable prior to maturity in certain circumstances linked to material asset sales or funding initiatives.

(a) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

(b) Fair value

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

	2020		2019	
	Carrying amount	**Fair value***	Carrying amount	Fair value*
	$m	**$m**	$m	$m
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**760.4**	**765.7**	814.7	820.5
Other financiers	**149.4**	**150.0**	149.3	150.0
Medium term notes	**242.0**	**243.1**	217.6	218.8
Subordinated notes	**302.3**	**305.0**	301.4	305.0
	1,454.1	**1,463.8**	1,483.0	1,494.3

* 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.

21. 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.

There was no significant credit risk to counterparties at 30 June 2020 or 30 June 2019.

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 cash and cash equivalents is set out in the table below.

	2020	2019
	$m	$m
Cash and cash equivalents		
A-	**224.2**	139.9

(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.

(b) Market risk (continued)

Qube's exposure to interest rate risk is set out in the following table:	**2020** **$m**	2019 $m
Borrowings (excluding capitalised establishment costs)	**1,463.8**	1,494.3
Less: Fixed rate loans	**(150.0)**	(200.0)
Cash	**(224.2)**	(139.9)
Net exposure to interest rate risk	**1,089.6**	1,154.4
Interest rate hedging in place*	**730.0**	730.0

* Includes forward start hedges totalling $240 million (2019: $345 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.

(i) 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 (2019 +/- 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
2020	$m	$m	$m	$m
Total increase/(decrease)	**6.1**	**6.1**	**(6.2)**	**(6.2)**
2019				
Total increase/(decrease)	8.0	8.0	(8.5)	(8.5)

(ii) Foreign exchange risk

Foreign exchange risk arises from commercial transactions and recognised liabilities that are denominated in or related to a currency that is not the Group's functional currency. The Group's foreign exchange exposure relates largely to the USD denominated medium term note borrowings issued in October 2017. The Group also has exposure to movements in foreign currency exchange rates through 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 Group's 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:

	2020	2019
Floating rate	**$m**	$m
Expiring within one year	**-**	-
Expiring beyond one year*	**792.3**	397.2
	792.3	397.2

* Undrawn facilities are adjusted for $37.7 million in bank guarantees (2019: $29.4 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 3.6 years (2019: 4.6 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.

	< 1 year $m	**1 to 5 years $m**	**> 5 years $m**	**Total $m**
Consolidated as at 30 June 2020				
Trade and other payables	**184.5**	**-**	**-**	**184.5**
Financial liabilities at fair value through profit or loss	**0.4**	**45.8**	**0.5**	**46.7**
Lease liabilities	**93.6**	**283.1**	**1,498.2**	**1,874.9**
Borrowings	**27.3**	**1,335.1**	**148.4**	**1,510.8**
Total financial liabilities	**305.8**	**1,664.0**	**1,647.1**	**3,616.9**
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

22. 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 2020 on a recurring basis:

	Level 1	Level 2	Level 3	Total
At 30 June 2020	**$m**	**$m**	**$m**	**$m**
Recurring fair value measurements				
Assets				
Investment properties	**-**	**-**	**1,103.1**	**1,103.1**
Assets classified as held for sale	**-**	**-**	**200.1**	**200.1**
Derivatives designated as hedges	**-**	**55.4**	**-**	**55.4**
Total assets	**-**	**55.4**	**1,303.2**	**1,358.6**
Liabilities				
Derivatives not designated as hedges	**-**	**35.3**	**-**	**35.3**
Total liabilities	**-**	**35.3**	**-**	**35.3**
At 30 June 2019				
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

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 2020 or 30 June 2019.

(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 investment property is the agreed sale value based on the binding sales contract with entities managed by Charter Hall. The Russell Park investment properties utilised the discounted cash flow and capitalisation approaches, which resulted in fair value estimate for this property being included in level 3. As the Moorebank Logistics Park is considered investment property in development, it is also included in level 3.

(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 2020 (30 June 2019: Nil).

Further, in the current year there were also no changes made to any of the valuation techniques applied as of 30 June 2019.

(ii) Valuation inputs and relationships to fair value

Contingent consideration

Actual consideration payable is contingent on certain future conditions including financial results, warranty periods and volume related targets. The minimum amount payable is $nil, and the maximum is $5 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 2020.

(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. The Moorebank Logistics Park Investment property presently comprises an Investment Property under construction with part of the site comprising developed, leased warehouses and part of the site comprising undeveloped land that is being progressively developed into warehousing, there are a number of assumptions determined by management in relation to the forecast cost to complete certain works that are necessary inputs to determine the fair value. For completed warehouses, the valuation is based on a discounted cashflow and capitalisation of earnings methodology. For the undeveloped land, the valuation is based on a direct comparison approach. See below for the valuation techniques adopted:

Description	Fair value at 30 June 2020 $m	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment property	**$1,103.1**	Discount rate	**6.25% - 8.75%**	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	**4.88% - 8.75%**	
		Capitalisation rate	**4.25% - 8.50%**	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Current vacancy rate	**23%**	
		Rental growth rate	**1.87% - 3.11%**	The higher the rental growth rate, the higher the fair value
		Land rate (per sqm)	**$685.1**	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).

In light of COVID-19, there is inherent uncertainty regarding several factors that may impact on the fair value of Qube's Investment properties. These factors include the capacity of tenants to continue paying rent in accordance with their lease terms, the ability to secure new tenants on acceptable terms, and the potential for Government restrictions to adversely impact construction activities. To date, COVID-19 has not had a material impact on the normal operation of Qube's Investment properties nor the fair value of these properties.

A sensitivity table showing the impact on fair value of a 10% increase or decrease in each of the key assumptions for the Moorebank Investment Property, being the undeveloped land value and the forecast cost to complete, is set out below:

	Undeveloped Land Value		**Forecast Cost to Complete**	
	+10%	-10%	+10%	-10%
Sensitivity ($m)	102.6	(102.6)	(79.4)	79.4

(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, as determined by management with the support of external surveyors where possible. 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.

23. Business combinations

a) On 11 September 2019 Qube completed the acquisition of 100% of the issued capital of Chalmers Limited for a total purchase consideration of $55.4 million.

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

	$m
Purchase consideration	
Cash paid	**12.4**
Ordinary shares issued	**43.0**
Total purchase consideration	**55.4**

The fair value of the shares issued as part of the consideration paid for Chalmers Limited (Chalmers) was based on the following published process:

12,987,019 shares issued on 23 August 2019 at $3.27 per share	**42.5**
162,876 shares issued on 11 September 2019 at $3.25 per share	**0.5**
Total ordinary shares issued	**43.0**

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

	Fair value $m
Cash	**0.3**
Trade receivables	**8.7**
Inventories	**0.2**
Other receivables and prepayments	**0.6**
Property, plant and equipment	**12.3**
Assets classified as held for sale	**65.0**
Right-of-use assets	**14.2**
Deferred tax asset	**0.3**
Trade payables	**(9.6)**
Provision for employee benefits	**(9.2)**
Lease liabilities	**(24.3)**
Borrowings from Qube	**(7.5)**
Net identified assets acquired	**51.0**
Add: goodwill	**4.4**
Net assets acquired	**55.4**

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

(i) Acquisition related costs

Acquisition related costs of $1.2 million are included in professional fees in the consolidated statement of comprehensive income.

(ii) Acquired receivables

The trade and other receivables of $8.7 million have predominantly all been recovered.

(iii) Revenue and profit contribution

The acquired business has been immediately integrated into Qube's existing Logistics based business from acquisition, so it is impracticable and unreliable to report separate revenue and profit contributions for this acquisition.

b) On 31 January 2020 Qube acquired 100% of the issued capital of NFA Holdings Limited (NFA) for a total purchase consideration of $26.1 million.

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

	$m
Purchase consideration	
Cash paid	**26.3**
Completion adjustments	**(0.2)**
Total purchase consideration	**26.1**

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

	Fair value $m
Cash	**-**
Trade receivables	**1.3**
Property, plant and equipment	**8.3**
Right-of-use assets	**0.5**
Trade payables	**(0.6)**
Provision for employee benefits	**(0.1)**
Lease liabilities	**(0.5)**
Net identified assets acquired	**8.9**
Add: goodwill	**17.2**
Net assets acquired	**26.1**

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 $0.1 million are included in professional fees in the consolidated statement of comprehensive income.

(ii) Acquired receivables

The trade and other receivables of $1.3 million have predominantly all been recovered.

(iii) Revenue and profit contribution

The acquired business has been immediately integrated into Qube's existing New Zealand based business from acquisition, so it is impracticable and unreliable to report separate revenue and profit contributions for this acquisition.

c) Qube acquired Quattro Grain Trust (Quattro) via a step acquisition involving two purchases, firstly on 26 February 2020 Qube acquired a further 5.54% interest in Qube which increased the value of its equity accounted investment by $2.5 million realising a $0.7 million gain on acquisition. Secondly on 31 March 2020 the parent entity bought the 47.23% it did not already own. Immediately before performing the business combination Qube's equity accounted investment was fair valued resulting in an impairment of $11.2 million. When the business was combined the acquisition derived a bargain purchase of $14.0 million resulting in an overall net gain of $3.5 million.

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

	$m
Purchase consideration	
Cash paid	**4.9**
Bargain purchase	**14.0**
Fair value of equity interest held before the business combination	**18.1**
Total purchase consideration	**37.0**

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

	Fair value $m
Cash	**1.3**
Trade receivables	**11.5**
Property, plant and equipment	**36.2**
Right-of-use assets	**16.9**
Deferred tax asset	**0.1**
Trade payables	**(11.7)**
Provision for employee benefits	**(0.1)**
Lease liabilities	**(17.2)**
Net identified assets acquired	**37.0**
Add: goodwill	**-**
Net assets acquired	**37.0**

(i) Acquisition related costs

Acquisition related costs of $1.3 million are included in professional fees and other expenses in the consolidated statement of comprehensive income.

(ii) Acquired receivables

The trade and other receivables of $11.5 million is expected to be recovered.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $2.8 million and net loss of $0.9 million to the Group for the period from 1 April 2020 to 30 June 2020. If the acquisition had occurred on 1 July 2019, consolidated revenue and losses for the year ended 30 June 2020 would have been $14.6 million and $3.2 million respectively.

d) Total business combination purchase consideration – cash outflow

	$m
Outflow of cash to acquire Chalmers, NFA and Quattro net of cash acquired	
Cash consideration	**43.4**
Less: Cash balances acquired	**(1.6)**
Net cash consideration	**41.8**
Minor acquisition*	**(0.2)**
Outflow of cash – investing activities	**41.6**

* Qube acquired 100% of the issued capital of Lasso Logistics Pty Ltd (Lasso) on 7 February 2019 for a total cash consideration of $1.00 with $0.7 million assumption of liabilities. On 3 March 2020 the Group paid a further $0.1 million. Completion accounts were finalised in FY20 with some minor adjustments resulting in a final goodwill amount of $1.0 million of which $0.7 million was included in FY19.

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.

24. 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 2020. 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	
		2020	2019	**2020**	2019
Name of entity	**Place of business/country of incorporation**	**%**	%	**$m**	$m
Patrick[1]	Australia	**50**	50	**560.6**	602.2
Other equity accounted investments				**49.3**	76.7
				609.9	678.9

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 $297.0 million ($300.2 million in June 2019) 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 2020	30 June 2019
	$m	$m
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**40.8**	20.4
Other current assets	**105.3**	116.0
Total current assets	**146.1**	136.4
Non-current assets	**4,014.4**	2,782.1
Current liabilities		
Financial liabilities*	**0.6**	-
Other current liabilities	**153.0**	126.8
Total current liabilities	**153.6**	126.8
Non-current liabilities		
Financial liabilities*	**988.0**	1,003.8
Shareholder loans	**594.0**	600.4
Other non-current liabilities	**1,430.9**	110.3
Total non-current liabilities	**3,012.9**	1,714.5
Net Assets	**994.0**	1,077.2
* - (excluding trade payables)		

	PTH No.1 Pty Ltd (Patrick)	
	30 June 2020	30 June 2019
	$m	$m
Reconciliation to carrying amounts		
Opening net assets	**1,077.2**	1,156.2
(Loss)/profit for the period	**(15.7)**	23.4
Dividends	**-**	(29.2)
Return of capital	**(4.4)**	(66.1)
Movement in reserves	**(3.4)**	(7.1)
Lease accounting policy change	**(59.7)**	-
Closing net assets	**994.0**	1,077.2
Group's share in %	**50%**	50%
Group's share in $	**497.0**	538.6
Goodwill	**63.6**	63.6
Carrying amount	**560.6**	602.2
Summarised statement of comprehensive income		
Revenue	**657.9**	624.3
Interest Income	**1.3**	3.5
Depreciation & amortisation	**(125.5)**	(90.2)
Interest expense	**(119.3)**	(89.6)
Income tax expense	**6.6**	(10.3)
(Loss)/profit for the period	**(15.7)**	23.4
Other comprehensive income	**(3.4)**	(7.1)
Total comprehensive income	**(19.1)**	16.3

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 tables below for the years ended 30 June 2020 and 30 June 2019.

Patrick underlying contribution reconciliation (100%) **For the year ended 30 June 2020**	**Statutory** **$m**	**Underlying Adjustments[2]** **$m**	**Underlying** **$m**
Revenue	**657.9**	**(33.1)**	**624.8**
EBITDA	**220.9**	**(31.8)**	**189.1**
EBITA	**119.7**	**4.4**	**124.1**
EBIT	**95.4**	**4.4**	**99.8**
Interest expense (net) - External	**(73.9)**	**48.5**	**(25.4)**
Interest expense - Shareholders	**(43.8)**	**-**	**(43.8)**
Net profit before tax	**(22.3)**	**52.9**	**30.6**
Tax (@ 30%)	**6.6**	**(15.8)**	**(9.2)**
Net profit after tax	**(15.7)**	**37.1**	**21.4**
Net profit after tax pre-amortisation	**1.3**	**37.1**	**38.4**
Qube share (50%) of net profit after tax	**(7.8)**	**18.5**	**10.7**
Qube interest income net of tax from Patrick[1]	**15.3**	**-**	**15.3**
Qube net profit after tax from Patrick	**7.5**	**18.5**	**26.0**
Qube share (50%) of net profit after tax pre-amortisation	**0.7**	**18.5**	**19.2**
Qube net profit after tax pre-amortisation from Patrick (50%)	**16.0**	**18.5**	**34.5**

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

1. Qube's share of shareholder interest income is subject to a 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 2020 underlying adjustments included $9.4 million in other non-recurring debt transaction and restructure costs and AASB 16 leasing adjustments of $43.5 million. The prior year underlying adjustments included $4.2 million in other non-recurring debt transaction and restructure costs.

(d) Impairment

In the 6 months to 31 December 2019 Qube has recognised an impairment charge of $6.9 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. The impairment reflects weaker than expected FY20 results as well as uncertainty around timing of the turnaround of the business currently underway, and subdued motor vehicle imports and sales.

The recoverable amounts of the equity accounted investments were determined based on a value-in-use calculation, except for Prixcar (which has an equity value of $nil), 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:

- Patrick – 9.0%
- Northern Stevedoring Services Pty Ltd (NSS) – 9.75%

As part of the business combination whereby Quattro became a wholly owned subsidiary of Qube, immediately prior to consolidating Quattro, the existing Quattro equity accounted investment was fair valued resulting in an impairment of $11.2 million, a bargain purchase gain of $14.7 million was then recognised on consolidation deriving a net gain of $3.5 million to Qube.

(e) Individually immaterial associates and joint ventures

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

	2020 $m	2019 $m
Aggregate carrying amount of individually immaterial associates and joint ventures[1]	**49.3**	76.7
Aggregate amounts of the Group's share of:		
Profit/(loss) for the year	**0.7**	(0.7)
Other comprehensive income	**-**	-
Total comprehensive income	**0.7**	(0.7)

[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. Quattro Grain Trust ceased being an associate in March 2020 and became a subsidiary.

(f) Contingent liabilities of associates and joint ventures

Qube's share of the contingent liabilities of its associates and joint ventures has been disclosed in note 27.

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

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

<u>Estimated impairment of investments accounted for using the equity method</u>
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 (other than Prixcar) 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 9.0% (Patrick) to 9.75% (NSS).

Indicators of impairment were identified for Qube's investment in Prixcar with the investment found to be impaired. Given the uncertainty surrounding cash flow forecasts for Prixcar the impairment analysis took into consideration the terms of an in principle agreement for the potential acquisition by "K" Line Auto Logistics Pty Ltd for Toll's 50% interest in Prixcar. It is noted that the completion of any potential transaction is subject to FIRB approval, final contract negotiation and subsequent relevant Board approvals.

<u>Significant judgement: consolidation of entities with 50% ownership</u>
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 and Intermodal Train Services Pty Ltd, Qube does not have the ability to affect returns of these entities without the prior consent of the remaining shareholders and therefore these are accounted for as associates as outlined in the accounting policy above.

25. 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 2020 (%)	Equity holding 2019 (%)
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
Quattro P RE Services Pty Ltd	Australia	Ordinary	**100**	47.2
Quattro Grain Trust	Australia	Ordinary	**100**	47.2
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

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2020 (%)	Equity holding 2019 (%)
Qube (AU) Moorebank Warehouse Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Warehouse Lot Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Terminals Assets Hold Trust*	Australia	Ordinary	**100**	100
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**	100
Beveridge Terminals Holdings Trust*	Australia	Ordinary	**100**	100
Beveridge Terminals Pty Ltd*	Australia	Ordinary	**100**	100
Beveridge Terminals Trust*	Australia	Ordinary	**100**	100
Beveridge Warehouse Holdings Pty Ltd*	Australia	Ordinary	**100**	100
Beveridge Warehouse Holdings Trust*	Australia	Ordinary	**100**	100
Beveridge Warehouse Pty Ltd*	Australia	Ordinary	**100**	100
Beveridge Warehouse Trust*	Australia	Ordinary	**100**	100
Beveridge Property Management Services Pty Ltd*	Australia	Ordinary	**100**	100
Australian Automotive Terminals Pty Ltd*	Australia	Ordinary	**100**	100
Australian Amalgamated Terminals Pty Ltd*	Australia	Ordinary	**100**	100
AAT Port Kembla Pty Ltd*	Australia	Ordinary	**100**	100
Cargo Marshalling Services Pty Ltd*	Australia	Ordinary	**100**	100
Qube 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

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2020 (%)	Equity holding 2019 (%)
Norsea Qube Logistics Pty Ltd	Australia	Ordinary	**100**	100
Oztran Aust Pty Ltd*	Australia	Ordinary	**100**	100
Oztran Assets Pty Ltd*	Australia	Ordinary	**100**	100
Stanton Oztran Pty Ltd*	Australia	Ordinary	**100**	100
Australian Heavy Logistics Pty Ltd*	Australia	Ordinary	**100**	100
ISO Marshalling Pty Limited*	Australia	Ordinary	**100**	100
NZ Bidco Ltd	New Zealand	Ordinary	**100**	100
ISO Ltd	New Zealand	Ordinary	**100**	100
Pacific Shipping Services Ltd	New Zealand	Ordinary	**100**	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	**54**	70
BOMC Services Pte Ltd**	Singapore	Ordinary	**54**	70
PT Bintan Offshore Marine Centre**	Indonesia	Ordinary	**54**	70
Qube Pte Ltd	Singapore	Ordinary	**51**	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

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2020 (%)	Equity holding 2019 (%)
Australian Grain Packers Pty Ltd*	Australia	Ordinary	**100**	100
Australian Grain Handlers Pty Ltd*	Australia	Ordinary	**100**	100
Lasso Logistics Pty Ltd	Australia	Ordinary	**100**	100
Crane and Haulage Partners Holdings Ltd	Cayman Islands	Ordinary	**100**	100
C&H Finance Pty Ltd*	Australia	Ordinary	**100**	100
C&H Employee Services Pty Ltd*	Australia	Ordinary	**100**	100
C&H Acquisition Pty Ltd*	Australia	Ordinary	**100**	100
LCR Holdco Pty Ltd*	Australia	Ordinary	**100**	100
LCR Finance Pty Ltd*	Australia	Ordinary	**100**	100
LB Consolidated Pty Ltd*	Australia	Ordinary	**100**	100
LCR Group Pty Ltd*	Australia	Ordinary	**100**	100
LCR PNG Ltd	Papua New Guinea	Ordinary	**100**	100
LPE Pty Ltd*	Australia	Ordinary	**100**	100
Canopus Pty Ltd*	Australia	Ordinary	**100**	100
LCR Holdings Group Pty Ltd*	Australia	Ordinary	**100**	100
LCR Finance Trust*	Australia	Ordinary	**100**	100
LCR Properties Group Pty Ltd*	Australia	Ordinary	**100**	100
LCR Properties Group Trust*	Australia	Ordinary	**100**	100
LCR Mining Group Pty Ltd*	Australia	Ordinary	**100**	100
LCR Mining Group Trust*	Australia	Ordinary	**100**	100
LCR Haulage Group Pty Ltd*	Australia	Ordinary	**100**	100
LCR Haulage Group Trust*	Australia	Ordinary	**100**	100
Chalmers Pty Ltd*	Australia	Ordinary	**100**	-
Chalmers Industries Pty Ltd*	Australia	Ordinary	**100**	-
Chalmers (Australia) Pty Ltd*	Australia	Ordinary	**100**	-
Chalmers Industries Brisbane Pty Ltd*	Australia	Ordinary	**100**	-
Chalmers 20 Cawley Road Pty Ltd*	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 36.

** Qube's economic interest in these entities is 54% 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 23).

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.

26. Non-controlling interests

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

	2020 $m	2019 $m
Interest in:		
Share capital	**-**	-
Reserves	**-**	-
Retained losses	**(3.2)**	(1.2)
	(3.2)	(1.2)

Retained losses in FY20 and FY19 are in relation to PT Bintan Offshore Marine Centre.

In March 2020,Qube International Pte Ltd, disposed of 16% of its shares in its subsidiary BOMC Pte Ltd (BOMC) for $5.2 million (S$4.6 million). As Qube maintained control and continued to consolidate BOMC, no profit or loss was booked and the transaction is disclosed in transactions with non-controlling interests reserve (refer note 19(a)). Prior to the sale, the carrying amount of the existing 30% non-controlling interest in BOMC was $2.1 million. The Group recognised an increase in equity attributable to owners of the parent of $1.1 million. The effect on the equity attributable to the owners of Qube Holdings Limited during the year is summarised as follows:

	2020 $m	2019 $m
Increase in equity relating to carrying amount of non-controlling interest disposed	**1.1**	-
Consideration received from non-controlling interest	**5.2**	-
Excess of consideration received recognised in the transactions with non-controlling interests reserve within equity	**6.3**	-

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.

27. Contingencies

Contingent liabilities

Guarantees

The parent entity has provided unsecured bank guarantees amounting to $54.2 million (2019: $30.9 million).

28. Commitments

(a) Capital commitments

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

	2020	2019
	$m	$m
Payable:		
Within one year	**384.9**	257.1
Later than one year but not later than five years	**464.1**	32.5
Later than five years	**-**	-
	849.0	289.6

The above balance comprises capital expenditure required for contracted works and new items of plant and equipment. The quantum of commitments has increased primarily due to the following factors:

1. The requirement to purchase locomotives and wagons in relation to the BlueScope contract in the Operating Division.
2. Increased capex relating to the MLP with the minimum remaining capital expenditure presently expected to be between $1.1 billion and $1.2 billion. The main components of the increase are:
   - The funding commitments under two Development Management Agreements with Woolworths to build their national and regional distribution centres. Under the two Development Management Agreements, Woolworths is developing the warehouses and Qube is funding their construction. Qube's capital commitment for the base building construction is expected to be around $420 to $460 million which will be incurred over the next three to four years.
   - Higher IMEX rail terminal automation costs of around $100 million including additional works within the terminal area, as well as the surrounding infrastructure to enhance the overall operational capability and efficiency as well as other capex increases including Moorebank Avenue works (following the recent arbitration outcome with the Moorebank Intermodal Company), additional roadworks, storm water retention works, and land preparation works due to higher specification warehouse requirements (collectively $90 to $140 million).

The total minimum project capex for MLP 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 $230 million, or around $151 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.

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low value leases see note 9 and note 38(d) for further information.

	2020	2019
	$m	$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**-**	90.3
Later than one year but not later than five years	**-**	265.1
Later than five years	**-**	508.8
	-	864.2
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**-**	44.6

(ii) Finance leases

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

Finance lease liabilities were included in borrowings until 30 June 2019, but were reclassified to lease liabilities on 1 July 2019 in the process of adopting the new leasing standard. Previous year finance lease liabilities have been reclassified from Group borrowings to lease liabilities. See note 38(d) for further information about the change in accounting policy for leases.

	2020	2019
	$m	$m
Commitments in relation to finance leases are payable as follows:		
Within one year	**-**	2.2
Later than one year but not later than five years	**-**	6.5
Later than five years	**-**	40.6
Minimum lease payments	**-**	49.3
Future finance charges	**-**	(36.0)
Total lease liabilities	**-**	13.3
The present value of finance lease liabilities is as follows :		
Current - within one year	**-**	1.8
Non-current - later than one year but not later than five years	**-**	5.8
Non-current - later than five years	**-**	5.7
Present value of minimum lease payments	**-**	13.3

There are no other outstanding commitments as at 30 June 2020 (2019: Nil).

29. Events occurring after the reporting period

Matters subsequent to the end of the financial year

On 15 July 2020, Qube announced that it had exchanged contracts for the sale of Minto Properties with entities managed by Charter Hall for a price, before tax and transaction costs, of around $207 million. This sale is expected to complete in September 2020.

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.

30. 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 21). 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 2020				
Cross-currency interest rate swaps	Cash flow hedge	189.6	**28.5**	**-**
	Fair value hedge	189.6	**25.5**	**-**
Foreign exchange options	Cash flow hedge	33.0	**1.4**	**-**
Forward exchange contracts	Cash flow hedge	21.3	**-**	**0.4**
Interest rate derivatives	Not hedge accounted	730.0	**-**	**34.9**
Current			**0.9**	**0.8**
Non-current			**54.5**	**34.5**
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

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 leases) currently bear an average interest rate of 3.33% 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 57.9% (2019: 57.7%) 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 1.19%. Hedges with a notional principal totalling $240 million (FY20 $345 million) have forward start dates commencing in FY21 and FY22. Excluding these forward starts, hedging covered approximately 38.9% 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 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 other comprehensive income (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.

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

	2020 $m	2019 $m
(a) Net cash inflow from operating activities		
Profit for the year	**86.6**	195.7
Depreciation and amortisation	**226.9**	120.0
Non-cash employee benefits expense – share-based payments	**7.0**	6.5
Fair value adjustment to investment properties	**(45.1)**	(155.5)
Fair value losses/(gains) on financial instruments at fair value through profit or loss	**14.8**	19.3
Impairment of investment in associate	**6.9**	14.0
Quattro acquisition impairment of equity accounted investment	**11.2**	-
Quattro bargain purchase	**(14.7)**	-
Loss/(profit) on sale of property plant and equipment	**4.6**	(3.2)
Share of loss of associates (net of dividends received)	**9.0**	7.4
Capitalised debt establishment costs and interest	**(11.8)**	(14.1)
Finance costs on leases (2019 - finance lease)	**5.9**	0.4
Rental straight lining adjustment	**(2.0)**	(1.0)
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
(Increase)/Decrease in trade debtors and other receivables	**(0.7)**	7.4
Increase in inventories	**(0.7)**	(1.5)
Increase in deferred tax assets	**(51.5)**	(6.7)
Decrease in trade creditors	**(8.1)**	(2.8)
Increase in other operating liabilities	**17.7**	9.8
(Decrease)/Increase in provision for income taxes payable	**(19.8)**	1.8
Increase in deferred tax liabilities	**58.3**	55.5
Increase in other provisions	**0.6**	5.8
Net cash inflow from operating activities	**295.1**	258.8

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use asset – note 9(a)
- partial settlement of a business combination through issue of shares – note 23
- dividends satisfied by the issue of shares under the dividend reinvestment plan – note 18(a), and
- options and shares issued to employees under the employee share scheme – note 35

(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.

	Borrowings*	Leases	Subtotal	Cash and cash equivalents	Total
	$'m	$'m	$'m	$'m	$'m
Net debt as at 1 July 2018	967.1	9.8	976.9	(103.9)	873.0
Cash flows	498.4	(1.7)	496.7	(35.4)	461.3
Acquisition of subsidiary	-	3.7	3.7	-	3.7
Acquisitions of financing leases**	-	1.5	1.5	-	1.5
Fair value and foreign exchange adjustments	28.8	-	28.8	(0.6)	28.2
Net debt as at 30 June 2019	1,494.3	13.3	1,507.6	(139.9)	1,367.7
Recognised on adoption of AASB 16 (see note 38(d))	-	613.5	613.5	-	613.5
Cash flows	**(54.8)**	**(75.6)**	**(130.4)**	**(86.2)**	**(216.6)**
Additions & acquisitions of subsidiaries	**-**	**177.7**	**177.7**	**-**	**177.7**
Lease interest expense capitalised	**-**	**5.9**	**5.9**	**-**	**5.9**
Fair value and foreign exchange adjustments	**24.3**	**-**	**24.3**	**1.9**	**26.2**
Variable lease adjustments	**-**	**2.0**	**2.0**	**-**	**2.0**
Net debt as at 30 June 2020	**1,463.8**	**736.8**	**2,200.6**	**(224.2)**	**1,976.4**

* Excludes capitalised establishment costs.
** Includes interest capitalised.

32. 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:

	2020	2019
	$'000	$'000
(a) PwC Australia		
(i) Audit and other assurance services		
- Audit and review of financial statements	**915.5**	705.6
- Audit of other subsidiary financial statements	**13.4**	-
Total remuneration for audit and other assurance services	**928.9**	705.6
(ii) Taxation services		
- Tax compliance services	**64.7**	165.2
- Tax advisory services	**230.1**	177.7
Total remuneration for taxation services	**294.8**	342.9
(iii) Other services		
- Due diligence services	**41.7**	-
- Other services	**328.7**	162.4
Total remuneration for other services	**370.4**	162.4
Total remuneration of PwC Australia	**1,594.1**	1,210.9
(b) Non-PwC audit firms		
(i) Audit and other assurance services – audit and review of financial statements	**212.4**	45.0
(ii) Taxation services – tax compliance services	**117.1**	-
(iii) Other assurance services – other services	**4.4**	-
Total remuneration of non-PwC audit firms	**333.9**	45.0
Total auditors' remuneration	**1,928.0**	1,255.9

33. 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 25.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 34.

(d) Transactions with other related parties

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

The following transactions occurred with related parties:

	2020	2019
	$m	$m
Stevedoring services		
received from other related entities and associates	**53.2**	47.4
paid to associates	**23.0**	16.8
Logistics, fuel services and management fees		
received from associates and other related parties	**2.5**	0.9
paid to associates and other related parties	**0.2**	0.7
Rental income received from associates	**5.2**	5.6
Dividend income received from associates	**1.9**	18.4

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of each reporting period in relation to transactions with related parties:

	2020	2019
	$m	$m
Associates and other related parties		
Current receivables (provision of services)	**6.5**	4.2
Current payables (payment for services)	**1.9**	1.8

(f) Loans to related parties

Loans to other associated entities totalled $307.4 million (2019:$ 315.8 million) at the end of the year. Included in this total is $297.0 million (2019: $300.2 million) in shareholder loans provided to Patrick and $23.3 million (2019: $19.4 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 $3.2 million (2019: $28.6 million) were received from associated entities during the year.

The Shareholder loan with Prixcar has been impaired to $10.4 million (2019: $15.6 million). 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.

34. Key management personnel disclosures

(a) Key management personnel compensation	**2020 $'000**	2019 $'000
Short-term employee benefits	**6,678.0**	7,116.1
Post-employment benefits	**121.0**	120.5
Long-term benefits	**115.3**	68.8
Share-based payments	**3,518.0**	3,333.6
	10,432.3	10,639.0

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Equity instrument disclosures relating to key management personnel

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

2020	**Opening balance**	**Received as part of remuneration**	**Other changes**	**Closing balance**
Directors of Qube Holdings Limited	**12,257,724**	**1,474,694**	**2,177,589**	**15,910,007**
Other key management personnel of the Group	**2,850,761**	**2,041,863**	**424,146**	**5,316,770**
2019				
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

(c) Loans to key management personnel

No loans have been provided to the directors of Qube Holdings Limited and other key management personnel of the Group, including their personally related parties.

35. Share-based payments

(a) Share Appreciation Rights

During FY20 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 FY20 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	12 September 2019
Issue price	$3.15
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 $3.15) 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 12 September 2022 (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 2022, presently expected to be in late August 2022.
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 ($)	Original Issue (number)	Granted (number)	Vested/ transferable (number)	Adjustments* (number)	Closing balance (number)	No. of shares vested into and held in escrow at the end of the year (number)
12 Sep 19	12 Sep 22	3.15	-	19,885,960	-	318,176	20,204,136	-
13 Sep 18	13 Sep 21	2.68	19,987,161	-	-	551,295	20,538,456	
29 Sep 17	28 Sep 20	2.58	16,412,296	-	-	452,691	16,864,987	-
24 Nov 16	23 Aug 19	2.56	15,590,126	-	(15,590,126)	-	-	3,110,437

* Adjusted for the impact of special dividends and the Entitlement Offer completed in May 2020.

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 2020 included:

Vesting date	12 Sep 2022	13 Sep 2021	28 Sep 2020	23 Aug 2019
Grant date	12 Sep 2019	13 Sep 2018	29 Sep 2017	24 Nov 2016
Share price at grant date ($)	3.28	$2.63	$2.47	$2.36
Initial price ($)	3.15	$2.68	$2.58	$2.56
Time to vesting date (years)	3.0	3.0	2.9	2.7
Volatility (%)	20%-25%	23%	28%	28%
Risk free rate (%)	0.81%	2.01%	2.11%	1.89%
Dividend yield (%)	2.1%	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 LTIs issued under these plans, except for the FY16 EPS and Moorebank Options have either vested or lapsed. No further grants are expected under these schemes.

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)	Adjusted* (number)	Closing balance (number)	Vested and transferable at the end of the year (number)
5 Sept 2014	5 Sept 2019	2.39	2,325,901	(2,362,893)	36,992	-	-
3 Sept 2015	3 Sept 2020	2.24	831,014	(847,403)	16,389	-	-
3 Sept 2015	3 Sept 2020**	0.44	7,094,887	(1,651,190)	88,133	5,531,830	5,531,830
3 Sept 2015	3 Sept 2020	0.44	1,774,249	(161,623)	28,388	1,641,014	1,641,014

* Options – numbers have been adjusted for the Entitlement Offer completed in May 2020.

** Final exercise date for 5,146,088 of these options has been extended from 3 December 2020 to 3 December 2021.

Plan Shares 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.

(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:

	2020	2019
	$m	$m
Equity-based compensation – expensed		
Share appreciation rights	**7.0**	4.3
Performance Rights	**-**	0.9
Options	**-**	1.3
	7.0	6.5

Note: The expense includes $1.5 million (FY19 $1.6 million) additional expense to adjust for actual and expected service and vesting outcomes for the SARs and FY14-16 LTI plans.

36. Deed of cross guarantee

The parent entity and the companies noted in note 25 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 2020 of the closed group

Consolidated income statement	**2020**	2019
	$m	$m
Revenue from continuing operations		
Revenue from sales and services	**1,701.4**	1,520.8
Other income	**59.7**	171.7
	1,761.1	1,692.5
Direct transport and logistics costs	**(429.4)**	(385.2)
Repairs and maintenance costs	**(100.7)**	(80.0)
Employee benefits expense	**(637.6)**	(584.6)
Fuel, oil and electricity costs	**(107.3)**	(111.5)
Occupancy and property costs	**(29.3)**	(87.9)
Depreciation and amortisation expense	**(209.8)**	(107.3)
Professional fees	**(14.1)**	(10.9)
Impairment of non-current assets	**(18.1)**	(14.0)
Other expenses	**(32.7)**	(15.4)
Total expenses	**(1,579.0)**	(1,396.8)
Finance income	**24.7**	28.8
Finance costs	**(87.7)**	(58.0)
Net finance costs	**(63.0)**	(29.2)
Share of net (loss)/profit of associates accounted for using the equity method	**(7.1)**	11.0
Profit before income tax	**112.0**	277.5
Income tax expense	**(41.5)**	(85.5)
Profit for the year	**70.5**	192.0
Other comprehensive income net of tax:		
Change in the fair value of cash flow hedges and cost of hedging	**(0.8)**	(0.4)
Share of other comprehensive income of joint venture	**(1.7)**	(3.6)
Total comprehensive income for the year	**68.0**	188.0
Total comprehensive income attributable to:		
Owners of Qube	**68.0**	188.0
Non-controlling interests	**-**	-
	68.0	188.0
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**325.2**	265.2
Change in accounting policy – adoption of AASB 16	**(50.3)**	-
Profit for the year	**70.5**	192.0
Dividends provided for or paid	**(94.3)**	(133.3)
Entities joining the closed group	**1.1**	1.3
Retained earnings at the end of the financial year	**252.2**	325.2

(b) Consolidated balance sheet as at 30 June 2020 of the closed group

	2020 $m	2019 $m
ASSETS		
Current assets		
Cash and cash equivalents	**200.4**	106.5
Trade and other receivables	**334.1**	297.0
Inventories	**5.0**	4.2
Current tax receivable	**0.2**	-
Derivative financial instruments	**0.9**	1.0
	540.6	408.7
Assets classified as held for sale	**200.1**	-
Total current assets	**740.7**	408.7
Non-current assets		
Loans and receivables	**297.0**	300.2
Investments in equity accounted associates	**609.9**	678.9
Property, plant and equipment	**1,357.8**	1,138.3
Right-of-use assets	**610.6**	-
Investment properties	**1,095.2**	1,031.6
Intangible assets	**830.0**	805.9
Other financial assets	**176.5**	242.1
Derivative financial instruments	**54.5**	31.2
Other assets	**33.6**	22.4
Total non-current assets	**5,065.1**	4,250.6
Total assets	**5,805.8**	4,659.3
LIABILITIES		
Current liabilities		
Trade and other payables	**170.7**	144.5
Borrowings	**-**	50.9
Lease liabilities	**85.8**	-
Current tax payable	**-**	17.2
Derivative financial instruments	**0.8**	-
Provisions	**97.0**	84.9
Total current liabilities	**354.3**	297.5
Non-current liabilities		
Trade and other payables	**0.4**	0.5
Borrowings	**1,393.3**	1,396.2
Lease liabilities	**612.1**	-
Deferred tax liability	**103.7**	111.0
Derivative financial instruments	**34.5**	20.5
Provisions	**10.3**	9.5
Total non-current liabilities	**2,154.3**	1,537.7
Total liabilities	**2,508.6**	1,835.2
Net assets	**3,297.2**	2,824.1
EQUITY		
Contributed equity	**3,046.1**	2,487.3
Reserves	**(1.1)**	11.6
Retained earnings	**252.2**	325.2
Total equity	**3,297.2**	2,824.1

37. Parent entity financial information

(a) Summary financial information

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

	2020	2019
	$m	$m
Balance sheet		
Current assets	**88.6**	49.3
Total assets	**4,650.5**	4,178.7
Current liabilities	**21.0**	66.7
Total liabilities	**1,459.5**	1,475.5
Shareholders' equity		
Issued capital	**3,177.5**	2,618.7
Reserves	**(12.4)**	(4.0)
Retained earnings	**25.9**	88.5
	3,191.0	2,703.2
Profit for the year	**32.9**	142.9
Total comprehensive income	**32.1**	142.5

(b) Guarantees entered into by the parent entity

There are cross guarantees given by the parent entity and the companies noted in note 25. 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 subsidiaries and 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.

(ii) Tax consolidation legislation (continued)

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.

38. 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 16 Leases
- AASB 2017-6 Amendments to Australian Accounting Standards – *Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty over Income Tax Treatments.*

The Group has adopted AASB 16 retrospectively from 1 July 2019 as 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 16 *Leases* on the Group's financial statements.

The Group has adopted AASB 16 retrospectively from 1 July 2019, but as permitted under the specific transitional provisions in the standard, has not restated comparative information. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 July 2019. Disclosure in the 31 December 2019 interim report noted that all of the associated right-of-use assets carrying amounts were measured as if the new rules under AASB 16 had always been applied.

During the year, the Group revised this policy choice to transition using either:

- measurement on a retrospective basis as if the new rules had always been applied; or
- measurement at an amount equal to the lease liability on transition.

This policy choice was applied on a lease by lease basis as is permitted under the specific transitional provisions of the standard. The impact of this to the transition previously disclosed is an increase to the right-of-use asset of $20.7 million with the net impact on retained earnings disclosed below under *Adjustments recognised in the balance sheet of 1 July 2019*. The new accounting policies are disclosed in note 9.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.45%. The 31 December 2019 interim report noted an increase to lease liabilities of $596.3 million, however, upon finalisation of transition to AASB 16 and the annual financial report process, an additional increase of $17.2 million has been recognised resulting in an increase of $613.5 million to the lease liability. See the net impact on retained earnings disclosed below under *Adjustments recognised in the balance sheet of 1 July 2019*.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. This resulted in measurement adjustments of $0.3 million for variable lease payments based on an index or rate. The re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(i) New and amended standards adopted by the Group (continued)

Practical expedients applied
In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

Measurement of lease liabilities

	$m
Operating lease commitment disclosed as at 30 June 2019	864.2
Discounted using the incremental borrowing rate at 1 July 2019	616.0
Finance lease liabilities recognised as at 30 June 2019	13.3
Recognition exemption for leases with less than 12 months of lease term at transition	(2.5)
Lease liabilities recognised at 1 July 2019	**626.8**
Of which are:	
• Current lease liabilities	86.8
• Non-current lease liabilities	540.0
	626.8

Measurement of right-of-use assets
The associated right-of-use assets were measured either at their carrying amount as if AASB 16 had been applied since the commencement date or at amounts equal to the lease liability from transition date. This measurement policy has been applied on a lease by lease basis as permissible under the specific transitional provisions of the standard.

Amounts were discounted using the lessee's incremental borrowing rate at the date of initial application. The Group has applied this approach to all of its leases on initial application. Where the Group acquired a company with existing leases through a business combination, similar calculations were undertaken by the Group as at the date of completion of acquisition (rather than from the commencement of the underlying leases). Equity accounted investments measured right-of-use assets on the above approach or at an amount equal to the lease liability.

Adjustments recognised in the balance sheet of 1 July 2019
The change in accounting policy affected the following items in the balance sheet on 1 July 2019:
- Property, plant and equipment – decreased by $6.9 million
- Right of use assets – recognised were $582.3 million
- Lease receivables – increased by $7.2 million
- Deferred tax asset – increased by $8.8 million
- Provisions – decreased by $1.2 million
- Equity accounted investments – decreased by $29.9 million
- Lease liabilities – increased by $613.5 million

The net impact on retained earnings on 1 July 2019 was a decrease of $ 50.8 million.

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of AASB 16.

The introduction of AASB 16 has not affected the Group's underlying earnings, cash flow or compliance with borrowing covenants.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2020 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 25 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 36.

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
25 August 2020

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 2020 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 2020
- 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 (including Independence Standards)* (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 $7.1 million, which represents approximately 5% of the Group's underlying 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 underlying profit before tax of the Group as, in our view, it is a metric against which the performance of the Group is commonly measured.
- 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.
- We decided the nature, timing and extent of work that needed to be performed by us and component auditors operating under our instruction.

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***
Fair value of investment properties *(Refer to note 10) $1,103.1m* The Group's accounting policy requires that investment properties are measured at fair value. The Group obtains external valuations at least annually or as otherwise required. 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: • the relative size of the investment property balance in the consolidated balance sheet • impact changes in the fair value of investment properties can directly have in the consolidated statement of comprehensive income • investment property valuations are inherently subjective due to the use of unobservable inputs in the valuation methodology • fair values are highly sensitive to changes in key assumptions, including the impact and duration of the COVID-19 pandemic.	We compared the fair values of 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 construction, we compared key inputs in the valuation to underlying support either provided by management or 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 comparable market data. We considered the appropriateness of the land value per square metre adopted by the external valuer with reference to recent comparable market transactions. We assessed the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards, including the impact of COVID-19.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill *(Refer to note 11) $765.4m* 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 determine the recoverable amount. These assessments involve significant judgements in estimating future cash flows and the rate at which they are discounted and in evaluating fair value less costs to sell. Goodwill has been allocated to the Operating Division & Infrastructure and Property segments. This was a key audit matter given: • the relative size of goodwill in the Consolidated Balance Sheet; and • the significant judgement and uncertainty involved regarding the impact and duration of the COVID-19 pandemic in reliably forecasting medium term forecasts.	In considering the impairment tests prepared by the Group, amongst other procedures, we: • Tested the mathematical accuracy of the discounted cash flow model used to determine the recoverable amount of goodwill. • Evaluated the appropriateness of the impairment assessment methodology and certain assumptions applied in calculating the recoverable amount • 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 previous budgets with reported actual results for previous financial year. • Assessed the reasonableness of the discount rate and terminal growth rate assumptions by comparing them to market data, comparable companies and industry research, with the assistance of PwC valuation experts. • We assessed the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards, including the impact of COVID-19.
Impact of the new standard on leases (AASB 16) *(Refer to note 9)* AASB 16 *Leases* (AASB 16) was adopted by the Group with effect from 1 July 2019, which resulted in a change to the accounting policy for leases. The Group elected not to restate comparatives as permitted by the transition provisions contained with AASB 16. AASB 16 has had a significant impact, given the tenure and volume of the property and port leases across the Group, with a right of use asset and lease liability being brought onto Group's consolidated balance sheet. This was a key audit matter because of the: • the quantum of the transition adjustments and judgements applied in determining the impact of AASB 16 • requirement for additional disclosures relating to leases	• We assessed the design and implementation of relevant key controls relating to the accounting for leases under AASB 16. • We assessed the reasonableness of the discount rates, compared to their incremental borrowing rate or implied interest rate in the lease contract, applied in determining lease liabilities. • For a sample of leases, we obtained and compared the underlying data to the original contract or other supporting information, and checked the mathematical accuracy of the AASB 16 calculations for each lease sampled. • We assessed whether the disclosures within the financial statements are appropriate in light of the requirements of Australia Accounting Standards.

Impairment assessment of equity accounted investments
(Refer to note 24) $609.9m

The Group is required to assess whether there are indicators of impairment in the carrying value of equity accounted investments at each reporting date in accordance with Australian Accounting Standards.
The Group has performed impairment assessments of its equity accounted investments by comparing their carrying value at year end with their recoverable amount, determined using a value in use through the use of discounted cash flow models.

This was a key audit matter given:

- the relative size of equity accounted investments in the Consolidated Balance Sheet
- the extent of judgement involved in assessing whether investments should be impaired, in particular the uncertainty involved regarding the impact and duration of the COVID-19 pandemic in reliably forecasting.

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 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.
- Evaluated the appropriateness of the impairment assessment methodology and certain assumptions applied in calculating the recoverable amount
- 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 periods, where applicable.
- Assessed the reasonableness of the Group's discount rate assumptions and terminal growth rates by comparing them to market data, comparable companies and industry research with the assistance of PwC valuation experts.
- Considered whether the methodology used was in accordance with the requirements of Australian Accounting Standards.
- We assessed the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards, including the impact of COVID-19.

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 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 22 to 49 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Qube Holdings Limited for the year ended 30 June 2020 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
25 August 2020

Shareholder Information

Top 20 Shareholders

As at 12 August 2020, the top 20 Shareholders of Qube were as follows:

Rank	Name	Number of shares	% of capital
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	533,709,933	28.34
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	192,729,322	10.23
3.	CITICORP NOMINEES PTY LIMITED	142,335,302	7.56
4.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	129,510,133	6.88
5.	NATIONAL NOMINEES LIMITED	76,514,355	4.06
6.	TAVERNERS NO 10 PTY LTD	68,652,589	3.64
7.	VALTELLINA PROPERTIES PTY LTD	49,705,045	2.64
8.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	35,301,910	1.87
9.	BNP PARIBAS NOMS PTY LTD <DRP>	22,835,279	1.21
10.	MR PETER GIACCI <P L GIACCI FAMILY A/C>	13,957,420	0.74
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	11,905,171	0.63
12.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	10,750,116	0.57
13.	MILTON CORPORATION LIMITED	7,538,951	0.40
14.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	6,835,882	0.36
15.	INVIA CUSTODIAN PTY LIMITED <MAURICE ALAN JAMES A/C>	6,789,032	0.36
16.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	5,814,387	0.31
17.	LADDARA PTY LTD	5,462,201	0.29
18.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,119,941	0.27
19.	UBS NOMINEES PTY LTD	5,082,111	0.27
20.	MIRRABOOKA INVESTMENTS LIMITED	5,000,000	0.27
	Total	**1,335,549,080**	**70.91**

Substantial Shareholders

As at 12 August 2020, Qube had received notification regarding the following substantial holders:

Substantial shareholder	Number of shares	Date of change	Voting power
UniSuper Limited ATF UniSuper & UniSuper Management Pty. Ltd.	101,968,544	17 July 2020	5.41%
Canada Pension Plan Investment Board (and its controlled entities)	157,779,199	28 May 2020	8.38%

Unmarketable Parcels

As at 12 August 2020, details of parcels of Qube shares with a value of less than $500 were as follows:

	Minimum parcel size	Holders	Shares
Minimum $500 parcel at $2.86 per share	175	622	20,570

Distribution Schedule

As at 12 August 2020, the distribution of holdings of Qube shares was as follows:

Range	Total holders	Shares	% of capital
1 – 1,000	3,312	1,544,661	0.08
1,001 – 5,000	8,195	23,749,464	1.26
5,001 – 10,000	5,775	42,436,076	2.25
10,001 – 100,000	9,739	260,896,624	13.85
100,001 and over	719	1,554,891,214	82.55
Total	**27,740**	**1,883,518,039**	**100.00**

Voting Rights

Each ordinary share carries with it one vote.

Restricted Securities

Qube does not have any restricted securities.

Unquoted Securities

7,172,844 unlisted options that have vested to 15 holders.

Current On-Market Buy-Backs

There are no current on-market buy-backs of shares in Qube.

On-Market Purchases of Securities

During the 2020 financial year, Qube acquired 500,000 shares on-market at an average price of $2.1593 for the purposes of satisfying obligations under Qube's employee incentive schemes.

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 2020 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
Stephen Mann
Jackie McArthur
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; (International) +61 2 8234 5000

www.qube.com.au

Qube Holdings ABN 14 149 723 053