

Qube Holdings Limited
(formerly Qube Logistics Holdings Limited)

ABN 14 149 723 053

Financial report
for the year ended 30 June 2013

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ABN 14 149 723 053

Financial report - 30 June 2013

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Directors	Chris Corrigan (Chairman) Sam Kaplan (Deputy Chairman) Maurice James (Managing Director) Ross Burney Allan Davies Peter Dexter Robert Dove Alan Miles Aage Holm (Alternate Director to Peter Dexter) Yoshiaki Kato (Alternate Director to Alan Miles) Simon Moore (Alternate Director to Robert Dove)
Secretary	William Hara
Principal registered office in Australia	Level 22, 44 Market Street Sydney NSW 2000 Telephone 9080 1900
Security exchange listings	Qube Holdings Limited shares are listed on the Australian Securities Exchange (ASX).
Website address	www.qube.com.au
Share registry	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Telephone (Australia) 1300 729 310 (Overseas) +61 3 9415 4608

Directors' Report

Your directors present their report on the consolidated entity consisting of Qube Holdings Limited (Qube), formerly Qube Logistics Holdings Limited, and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors

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

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

Principal Activities

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

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

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

	Cents per share	Total \$M	Franked/unfranked	Payment date
<i>Ordinary Shares</i>				
Paid during the 2013 financial year				
2012 Final dividend	2.1¢	19.0	Franked	17/10/2012
2013 Interim dividend	2.2¢	20.0	Franked	11/4/2013
Paid during the 2012 financial year				
2011 Final dividend	1.9¢	15.2	Franked	31/10/2011
2012 Interim dividend	2.0¢	17.7	Franked	4/4/2012
Dividends paid or declared by the company after year end:				
2013 Final dividend	2.3¢	21.4	Franked	4/10/2013

Review of Operations

Overview

Qube reported a record statutory result in the year ended 30 June 2013 delivering revenue of approximately \$1.08 billion (2012: \$0.78 billion) and profit after tax attributable to shareholders of \$77.3 million (2012: loss \$2.5 million). Statutory earnings per share were 8.4 cents (2012: loss of 0.3 cents).

The Qube Board assesses the performance of the business on an underlying earnings basis whereby large one-off and non-cash items such as fair value adjustments are removed from the statutory numbers to give a clearer picture of the underlying earnings of the business.

Underlying revenue increased by 27% to \$1.07 billion (2012: \$0.84 billion) and underlying EBITA increased by 58% to \$128.8 million (2012: \$81.3 million). Qube's underlying net profit after tax increased by 20% to \$74.0 million (2012: \$61.5 million) and underlying earnings per share increased by 13% to 8.0 cents (2012: 7.1 cents) with underlying earnings per share pre-amortisation increasing by 12% to 8.5 cents (2012: 7.6 cents). The full year dividend increased by approximately 10% to 4.5 cents per share reflecting this strong performance.

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

Qube achieved these solid earnings in a difficult economic environment that included container volumes growing at below historical rates, declining commodity prices and a general lack of consumer and business confidence.

Qube's results reflect the experience and expertise of the management team in understanding our customers' requirements, developing value-added solutions and undertaking significant capital investment to support these solutions.

Review of Operations (continued)

Importantly, Qube has continued its focus on the import-export logistics supply chain as this is considered to be the most attractive logistics market segment and where Qube can leverage its expertise to deliver the best outcome for its customers and ultimately its shareholders.

The results were supported by the significant investment undertaken by Qube in prior years to improve safety, build scale, secure and develop strategic locations and expand its logistics capabilities to deliver quality solutions for its customer base.

Qube's safety record continued to improve with its Lost Time Injury Frequency Rate (LTIFR), the key measure of safety performance, decreasing from 11.6 Lost Time Injuries (LTIs) per million hours worked to 6.6 LTIs, a 43% improvement.

Building on foundations for growth

Qube invested over \$220 million in the 2013 financial year to support its growth. This included approximately \$95 million to acquire the MIST/ITG business and property in August 2012 which expanded Qube's intermodal activities, provided additional scale for the NSW rail business and enhanced Qube's logistics solutions for the rural commodity sector. An additional \$20 million was invested in Qube's associate Prixcar Services (Prixcar) in July 2012 to support Prixcar's acquisition of Toll's vehicle distribution business.

During the period, Qube commenced the development of its property at Victoria Dock in Melbourne to provide it with increased hardstand capacity. Additional capital was spent on locomotives, trucks, trailers, warehouses and other facilities to increase Qube's capacity and to support new contracts. Qube is pursuing two major long-term growth opportunities at Moorebank in South West Sydney and the Webb Dock East container terminal in Melbourne.

Qube will continue its disciplined approach to investment in growth projects and acquisitions that are consistent with its strategy and meet Qube's financial and risk criteria.

Strong financial performance

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

Logistics Division

The Logistics division reported underlying revenue of \$538.4 million (2012: \$476.8 million), a 13% increase on the prior year's pro-forma results. Underlying earnings (EBITA) increased by 21% to \$50.3 million (2012: \$41.4 million). The underlying EBITA margin improved from 8.7% to 9.3% reflecting the focus on reducing costs, synergies from recent acquisitions and the benefits of capital investment.

The overall conditions for the financial year were very challenging due to global economic conditions and slowing volume growth. Organic growth was lower than prior years due to management's decision to not pursue business that did not meet financial hurdles and to refocus resources and assets on business where Qube could offer differentiated and/or integrated logistics solutions. This approach resulted in lower headline revenue growth than in prior years but improved margins as well as reduced maintenance capital expenditure.

The financial results benefitted from the inclusion of the revenue and earnings of MIST/ITG following the completion of the acquisition on 22 August 2012. This acquisition has now been fully integrated into the NSW operations, with NSW representing around 37% of the total divisional revenue in FY13. Additional cost synergies from this acquisition are expected to be achieved in FY14.

There continue to be significant opportunities to expand Qube's rail business as part of an integrated logistics solution for metropolitan freight as well as for rural commodities. New locomotives and wagons were delivered during the financial year to support this growth potential, and Qube has recently ordered an additional 6 locomotives. Once commissioned, this will increase Qube's fleet of owned and leased locomotives to 79. Importantly, Qube continues to maintain a mix between owned and leased locomotives to provide it with flexibility to adjust its fleet size should volumes change. Rail represented approximately 22% of the total divisional revenue for FY13, compared to 17% in FY12.

In Victoria, Qube is investing approximately \$15 million at Victoria Dock to develop hardstand capacity, with around \$10 million spent in FY13 on the initial stage of this development. This will support several recent contract wins and provide capacity for continued growth, particularly for the rail operations. The contribution from Qube's Victorian operations is expected to increase once the development is complete and the new contracts commence.

The other states were generally in line with management's expectations with solid growth. The main exception was South Australia which was below expectations due to the loss of a major contract early in the period.

At Fremantle in Western Australia, Heads of Agreement on new lease arrangements were finalised with the Port Authority giving Qube a larger footprint in the port precinct. Qube expects to undertake \$23 million of capital expenditure at its facility with approximately \$10 million in FY14 to develop this area which is anticipated to be an important driver of Qube's future growth once fully developed.

Review of Operations (continued)

Ports & Bulk Division

The Ports & Bulk division also delivered improved results in the period with underlying revenue and EBITA increasing by 41% and 56% respectively to \$499.1 million (2012: \$353.3 million) and \$65.8 million (2012: \$42.3 million) compared to the prior year pro-forma results. The underlying EBITA margin improved from 12.0% to 13.2% reflecting the benefits of capital investment, as well as improved asset utilisation.

The strong result included a full year's contribution from Giacci Holdings (which was acquired in March 2012). The Giacci acquisition has provided Qube with the ability to offer a complete mine-to-ship logistics solution covering activities including product loading at the mine, transport, receipt and stockpiling at the port and stevedoring onto vessels. This enables Qube to offer a cost effective, reliable service to a broad range of mining customers. Additionally, Qube is continuing to innovate to deliver improved solutions that reduce costs, increase operational flexibility and lessen potential environmental issues associated with handling bulk products. The FY13 result includes contributions from several new contracts that were secured because of this expanded and enhanced mine-to-ship capability.

Qube's facility at Utah Point delivered increased earnings with volumes over the year reaching 12.5 million tonnes, an increase of around 11% over the prior year.

In the bulk commodities sector, Qube continues to receive significant interest in its innovative solutions. Importantly, Qube's volumes were not significantly impacted by the weakness in commodity prices during the year as Qube's services are mainly provided to operating mines that are already in production.

Qube's stevedoring activities benefitted from strong volumes of imported motor vehicles as new car sales grew by 7.4% over the year to in excess of 1.1 million vehicles.

The high Australian dollar, cancellation of new mining projects and depressed economic activity has resulted in the demand for certain products softening, most notably steel and project cargo.

The Ports & Bulk division is very diversified by both geography and product thereby minimising the risk to Qube from a downturn in any particular region or commodity. As a result of the acquisition of Giacci, Western Australia now represents the greatest portion of revenue from this division, contributing approximately 43% of revenue in FY13. The product mix includes iron ore, copper concentrates, mineral sands, coal, forest products, motor vehicles and oil & gas services.

Associates

Qube has three associates within the Ports & Bulk division.

Australian Amalgamated Terminals (AAT), in which Qube has a 50% shareholding, increased its net profit after tax by 12% with Qube's pro-forma share increasing from \$8.5 million in FY12 to \$9.5 million in FY13. This increase was largely a result of the higher motor vehicle imports during the year as AAT earns revenue for every vehicle that is stevedored at its facilities.

In July 2012, Qube invested an additional \$20 million in Prixcar to support its acquisition of Toll's vehicle distribution business. This is an important strategic acquisition for Prixcar as it enables it to offer a fully integrated solution covering vehicle storage, processing and transport to dealers. As a result of non-recurring integration costs associated with this acquisition and a decline in sales of domestically manufactured vehicles, Qube's 25% share of profits from Prixcar declined by around 76% from \$1.7 million to \$0.4 million.

Qube's 50% interest in Northern Stevedoring Services (NSS) delivered earnings to Qube of approximately \$5.2 million which was around \$0.1 million higher than the \$5.1 million reported in FY12. This was a very sound result as it was achieved despite the loss of NSS' largest customer in August 2012, demonstrating the company's strong market position and ability to secure other work, particularly relating to project cargo for major projects in Northern Queensland. However, notwithstanding the strong FY13 result, Qube has recognised an impairment charge against the carrying value of its investment in NSS of \$10.5 million. The impairment reflects reduced medium-long term earnings expectations for NSS from the loss of the major contract referred to above.

Strategic Assets Division

The revenue and earnings in the Strategic Assets division increased significantly, mainly reflecting the consolidation of the Moorebank Industrial Property Trust (MIPT) from 8 June 2012 when Qube acquired an additional 36.67% interest. Prior to that, Qube equity accounted its 30% investment in MIPT.

The statutory result includes an upward fair value adjustment of Minto Properties of \$9.1 million (2012: loss \$4.2 million) following an independent valuation as at 30 June 2013. The value of the Moorebank Property (100%) was confirmed as in line with its carrying value of \$238.9 million (2012: \$234.0 million).

During the period, Qube, as manager and trustee of MIPT, finalised a 5 year lease extension with the tenant located on the land owned by MIPT.

Review of Operations (continued)

This provides Qube with a reliable income stream while it progresses the planning and approvals for the development of this land into a major intermodal logistics facility.

Qube continues to engage with the relevant stakeholders to progress a whole of Moorebank precinct solution which Qube believes will deliver the most efficient port logistics supply chain solution for South-West Sydney thereby maximising the benefits for the Commonwealth, NSW and Qube.

In August 2013, Qube reached agreement with the tenant at Minto Properties to extend the lease for a further 2 years from August 2014 to August 2016 (subject to formal documentation). This provides Qube with certainty of income while it develops and implements its broader intermodal terminal strategy for NSW.

Funding

At 30 June 2013, Qube had net debt (being bank loans and finance lease liabilities less cash on hand) of approximately \$464 million (2012: \$325 million). Qube had available cash and undrawn debt facilities of around \$260 million (2012: \$357 million) providing Qube with substantial funding capacity to pursue further growth.

Qube's leverage ratio has increased from 24.3% at 30 June 2012 to 30.4% at 30 June 2013 as Qube has used debt to fund its acquisitions and growth capex. Qube remains at the lower end of its target leverage ratio of 30-40%.

In June 2013, Qube completed the refinancing of its Strategic Assets establishing a new \$120 million three year facility to replace the existing \$73.2 million in facilities within the division. The funding drawn in excess of the existing facilities was used to reduce the outstanding balance of Qube's \$550 million syndicated debt facility and to pay transaction costs. The new facility is secured by Qube's interest in MIPT and Minto Properties. Qube has also provided a guarantee to support the debt.

In August 2013, Qube finalised an amendment to its existing \$550 million syndicated debt facility achieving improved pricing and also extending the average tenor of its debt facilities. The new structure involves a \$200 million three year tranche expiring in August 2016 and \$350 million five year tranche expiring in August 2018 compared to the original facility which expired in May 2016.

Risk management

Whilst the Qube Board assumes ultimate responsibility for the risk management of Qube, it has delegated the oversight responsibility for risk management and internal control of major risks of Qube to the Audit and Risk Management Committee, and in respect of risks relating to safety, health, environment and operational matters to the Safety, Health and Environment Committee.

Each operating division has its own risk management committee which is responsible for identifying, assessing and managing material risks to their business. This involves creating, maintaining and reviewing the risk profile on a regular basis and reporting to the Audit and Risk Management Committee and Safety, Health and Environment Committee at least twice per year.

The Committee assesses the effectiveness of management's risk mitigation practices as the basis of their recommendations to the Board and recommend changes where appropriate.

The risk management plans are focussed on identifying the major risks to Qube's business based on the likelihood of particular risks occurring, and the seriousness of the consequences for Qube if that risk did occur. The list of major risks, potential financial and non-financial impact on Qube, and the related mitigation strategies is reviewed regularly during the year to ensure it remains relevant and accurate to the business.

Major risks identified include:

- weather events that close facilities for an extended period and/or cause substantial damage to facilities and equipment
- serious accidents causing multiple injuries or fatalities and damage to Qube's facilities or equipment
- port closures for extended periods
- significant derailments causing disruption and damage to Qube's business

Qube seeks to reduce the likelihood of a major risk occurring through its detailed operating and financial policies and systems. Qube aims to mitigate the impact of any risk that does occur through its extensive insurance program.

Review of Operations (continued)

Summary & Outlook

Qube has improved the quality of its businesses during the year by continuing to invest in facilities and equipment, and to expand the breadth of its services by geography, customer, service and product.

Qube now has a national portfolio of strategic locations at ports and other freight catchment areas with scope to expand the capacity at these locations.

Qube has an unrivalled ability to offer integrated logistics solutions providing significant benefits for its customers across multiple aspects of the logistics supply chain for containerised freight, bulk and rural commodities and motor vehicles. The diversity of its earnings streams enables Qube to continue to grow despite challenges in any particular segment of its operations.

In FY 14, Qube expects strength in bulk export volumes to continue. Qube also expects new vehicle sales to remain solid (subject to legislative risks), albeit at a lower growth rate than FY 13. Any shift from domestically manufactured vehicles to imports is expected to benefit Qube's stevedoring activities.

Qube expects overall container volumes through the ports to grow at below historical rates and limited improvement in general and project cargo volumes in FY 14.

Qube management is continuing to develop innovative, tailored logistics solutions and undertaking investment to meet its customers' needs. This is particularly critical in the current environment where customers are seeking overall cost savings and reliable solutions. As a result, Qube continues to receive significant interest from customers across both divisions, despite the challenging economic environment.

Qube expects to continue to grow by demonstrating the financial and service benefits to customers from its integrated service offering and investment in equipment and facilities to drive efficiencies. Qube will remain focussed on improving asset utilisation and achieving further cost reductions, and will also consider potential acquisitions that meet its strategic, financial and risk criteria.

The strategic properties will continue to generate reliable income in the short-medium term while providing Qube with outstanding long term growth potential once fully developed into intermodal logistics facilities.

As a result, notwithstanding the difficult economic conditions, Qube anticipates continuing its record of delivering revenue growth and increased earnings per share in FY 14.

Change in state of affairs

During the period, the Company changed its name from Qube Logistics Holdings Limited to Qube Holdings Limited in order to more clearly differentiate the Logistics operating division from the parent entity.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

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

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

Information on directors

Christopher Corrigan *Chairman - Non-executive director.*

Experience and expertise

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

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

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

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

Directorships of listed companies held during the last three years:

- Consolidated Media Holdings Limited – from 8 March 2006 to 19 November 2012
- Crown Limited – from 6 July 2007 to current
- Webster Limited – from 30 November 2007 to 9 July 2010 & from 15 October 2012 to present

Special responsibilities

Chairman of the Board.

Member of the Nomination & Remuneration committee.

Sam Kaplan *Deputy Chairman - Non-executive director.*

Experience and expertise

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

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

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

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

Directorships of listed companies held during the last three years:

None

Special responsibilities

Chair of Nomination & Remuneration committee.

Chair of Audit and Risk Management committee.

Maurice James *Managing Director.*

Experience and expertise

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

Mr James spent 12 years at Patrick Corporation Limited during which it grew from a company capitalised at \$200 million to being sold in 2006 for \$6.3 billion. His last position was Executive Director, Ports.

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

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

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

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

Directorships of listed companies held during the last three years:

None.

Special responsibilities

Managing Director.

Information on directors (continued)

Ross Burney *Non-executive director.*

Experience and expertise

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

Mr Burney is on the board of Oncard International Limited.

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

Directorships of listed companies held during the last three years:

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

Special responsibilities

Member of Audit and Risk Management committee.

Allan Davies *Non-executive director.*

Experience and expertise

Mr Davies has over 35 years' mining experience in the Australian and international coal and metalliferous mining industries having worked in operational roles up to executive director.

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

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

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

Directorships of listed companies held during the last three years:

- Executive director of Whitehaven Coal Limited – from 25 February 2009 to 1 November 2012
- Non-executive director of Aurizon Holdings Limited (formerly QR National Limited) – from 19 February 2009 to 13 December 2011

Special responsibilities

Chair of Safety, Health and Environment committee.

Member of the Audit and Risk Management committee.

Peter Dexter AM *Non-executive director.*

Experience and expertise

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

Mr Dexter is a non-executive director of the ASX listed Royal Wolf Holdings Limited, chairman of the Australian National Maritime Museum, and chairman/director of the Wilhelmsen Group companies operating in Australia.

Prior to his non-executive roles with the Wilhelmsen Group companies, he served as a member of the global management team of Wallenius Wilhelmsen Logistics.

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

Directorships of listed companies held during the last three years:

- Non-executive director of Royal Wolf Holdings Limited from April 2011 to current.

Special responsibilities

Member of Safety, Health and Environment committee.

Information on directors (continued)

Robert Dove *Non-executive director.*

Experience and expertise

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

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

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

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

Directorships of listed companies held during the last three years:

None.

Special responsibilities

Member of Nomination & Remuneration committee.

Alan Miles *Non-executive director.*

Experience and expertise

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

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

Mr Miles was appointed as an alternate non-executive director of Qube on 7 November 2011. He resigned from this position on 1 April 2013 to accept his appointment as a non-executive director.

Directorships of listed companies held during the last three years:

None.

Special responsibilities

Member of Safety, Health and Environment committee.

Aage Holm *Alternate non-executive director.*

Experience and expertise

Mr Holm has extensive experience in the global automotive logistics and maritime industries.

Mr Holm is a VP of corporate finance, strategy and investor relations at Wilh. Wilhelmsen Holding ASA.

Mr Holm was also the former CFO of Wallenius Wilhelmsen Logistics AS and a non-executive director of Group CAT and other European based vehicle logistics companies.

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

Directorships of listed companies held during the last three years:

None.

Special responsibilities

Alternate director for Peter Dexter

Yoshiaki Kato *Alternate non-executive director.*

Experience and expertise

Mr Kato has more than 28 years' experience in the shipping industry. Mr Kato has been with Kawasaki Kisen Kaisha, Ltd ("K"Line) since April 1985 and with "K"Line (Australia) Pty Limited since April 2013.

Mr Kato was appointed as an alternate director of Qube on 23 April 2013.

Directorships of listed companies held during the last three years:

None.

Special responsibilities:

Alternate director for Alan Miles.

Information on directors (continued)

Simon Moore *Alternate non-executive director.*

Experience and expertise

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

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

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

Other current directorships

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

Directorships of listed companies held during the last three years:

None.

Special responsibilities

Alternate director for Robert Dove.

Chief Financial Officer

The Chief Financial Officer is Mr Paul Lewis. He has been involved with Qube since its establishment, responsible for managing the commercial and financial aspects of all of Qube's interests. Prior to Qube, Mr Lewis was a senior executive at Patrick Corporation Limited where he was responsible for investments and acquisitions.

Company Secretary

The Company Secretary and General Counsel is Mr William Hara. Mr Hara worked as General Counsel and Company Secretary at Lend Lease from 2007 – 2012 and prior to that at Patrick Corporation for almost 10 years.

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the year and the numbers of meetings each director was present were:

	Full meetings of directors		Meetings of committees					
			Audit & Risk Management		Nomination & Remuneration		Safety, Health & Environment	
	A	B	A	B	A	B	A	B
Chris Corrigan	6	6			2	2		
Sam Kaplan	6	6	4	4	2	2		
Maurice James*	6	6					3	2
Ross Burney	6	6	4	4				
Allan Davies	6	6	3	3			3	3
Peter Dexter	6	6	1	1			3	3
Robert Dove	6	5			2	2		
Alan Miles**	2	2					2	2
Yutaka Nakagawa (resigned 01-Apr-2013)	4	4					1	1
Aage Holm	-	-						
Yoshiaki Kato (appointed 22-Apr-2013)	-	-						
Simon Moore	1	1						

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

B = Number of meetings attended

* = Not a non-executive director

** = Appointed as a Non-executive director on 1 April 2013

Remuneration report

Components

1. Message from the Committee
2. Snapshot of Changes for the year ending 30 June 2014
3. Remuneration summary
4. Governance
5. Executive remuneration framework
6. Linking rewards, performance and strategy
7. Employment conditions
8. Non-executive directors
9. Statutory remuneration disclosures

1. Message from the Nomination and Remuneration Committee

The Nomination and Remuneration Committee (the Committee) presents the Qube Remuneration Report for the year ended 30 June 2013 (FY13).

The Committee's objective is to ensure Qube's remuneration framework provides the foundation for retaining and incentivising talented employees to deliver the Group's strategy and that it is aligned with shareholder wealth creation.

During the year, the Committee began a comprehensive review of the executive reward strategy with the assistance of PricewaterhouseCoopers (PwC). The review was conducted against the Group's guiding principle that a significant portion of total remuneration should be at risk and tied to key metrics that are aligned with strong performance and shareholder wealth creation.

In undertaking the review, the Committee considered the changing shareholder expectations on executive remuneration and the feedback received on our FY12 Remuneration Report. The review of the executive reward strategy has led to a number of enhancements to Qube's remuneration arrangements which have been implemented for the year ending 30 June 2014 (FY14). These enhancements are summarised and explained below. The Committee believes that these enhancements will incentivise executives to generate long-term shareholder value through strong financial performance. The Committee will continue to consider further enhancements to the remuneration arrangements to ensure that it continues to be aligned to Qube's business strategy.

The key change to Qube's reward strategy is to maintain low fixed remuneration and increase the proportion of remuneration at risk principally through a new long term incentive plan. The reward strategy is closely aligned with Qube's growth-oriented strategy.

2. Snapshot of Changes made for the year ending 30 June 2014

A summary of the key remuneration components that apply for FY14 are presented below (along with an explanation where relevant, of the material changes to the remuneration arrangements that applied in FY13).

Fixed remuneration

For FY14, there will be no salary increases for the CEO and key management personnel (KMP) except for the CFO to bring his base salary up to the lower quartile of companies of comparable market capitalisation.

Short term incentive (STI)

For FY14, enhancements have been made to the STI arrangements for the CEO, the CEO's direct reports (including KMP) and their direct reports (approximately 20 senior executives in total) including:

- 50% of STI paid will be deferred for 1 year. Previously there was no deferral. The deferral reduces the risks associated with paying STI in cash immediately, allowing the Board to clawback all or part of the deferred component if, for example, there is a material misstatement of the Group's financial accounts. The deferral is also an effective mechanism to retain executives;
- a more robust STI process has been implemented through the refinement of key performance indicators (KPIs) which are strongly aligned with the Group's strategy, safety, financial and non-financial performance and provide a

Remuneration report

2. Message from the Nomination and Remuneration Committee (continued)

Snapshot of Changes for the year ending 30 June 2014 (continued)

Short term incentive (STI) (continued)

clear link between executive reward and the value created for shareholders. For the CEO and other KMP, 30% to 50% of their KPIs are tied to financial measures. Additionally the key Group financial measure will change from Group earnings before interest and tax (EBIT) as the target to Group net profit after tax (NPAT). The Chairman of the Board sets the KPIs for the Managing Director. The Committee approves the KPIs for the other KMP; and

- The remuneration mix has been re-weighted to place a greater proportion of remuneration at risk consistent with Qube's growth oriented strategy and to align executive's interests with those of our shareholders.

Long term incentive (LTI)

For FY14, significant changes were made to the LTI plan:

- Qube ceased any further issues under the ELTIP Share and Loan Plan which vested over 1, 2 and 3 years;
- Qube moved to grant LTIs in the form of performance rights that do not vest earlier than 3 years;
- 25% of performance rights are subject to a relative total (share price and dividends) shareholder return (TSR) performance condition. This is a change from an absolute shareholder return condition. If at the vesting date 3 years after the grant of performance rights, Qube's TSR is at the median of companies in the ASX 200 index, 50% of the performance rights will vest with further vesting on a sliding scale up to 100% for top quartile performance. The relative TSR measure aims to provide a greater alignment with shareholder outcomes as it provides a direct comparison of relative performance and ensures the Group is rewarding for returns that are at or above the median of its peers;
- 75% of performance rights are subject to a compound annual growth in earnings per share (CAGR EPS) performance condition over a minimum of 3 financial years. This is a change from the ELTIP where the EPS condition was tested at the end of each of 3 financial years; and
- under the new LTI plan, if Qube achieves CAGR EPS of 9% based on underlying earnings for the period ending 30 June 2016 all of the performance rights subject to the CAGR EPS hurdle will vest. Between CAGR EPS of 7.2% and 9% or above, performance rights will vest on a sliding scale from 0% to 100% respectively. Any performance rights that do not vest can be re-tested for each of the two years ended 30 June 2017 and 30 June 2018. Qube believes that re-testing is appropriate because the Company is involved in a number of long-dated strategic projects. If management is successful in executing these projects, they will significantly contribute to earnings but this may not occur until after the first vesting date.

Remuneration report

2. Message from the Nomination and Remuneration Committee (continued)

Snapshot of Changes for the year ending 30 June 2014 (continued)

Long term incentive (LTI) (continued)

- the Committee's remuneration adviser, PwC, reviewed EPS targets across a range of companies in the ASX 200 and advised the Committee that a CAGR of 9% is within the upper range of CAGR EPS targets used within the market. The Board will set the performance conditions for subsequent grants of performance rights and set a significant stretch target well above the cash rate.

Non-Executive director fees

Non-executive director fees increased on 1 January 2013. In FY14, there will be no further increases in non-executive director fees.

3. Remuneration Summary

This remuneration report sets out remuneration information for Qube's non-executive directors, executive directors, and other key management personnel (KMP) of the Group for the year ended 30 June 2013.

Directors and executives disclosed in this report

Name	Position
<i>Non-executive directors</i>	
Chris Corrigan	Chairman, Non-executive director
Sam Kaplan	Deputy Chairman, Non-executive director
Ross Burney	Non-executive director
Allan Davies	Non-executive director
Peter Dexter	Non-executive director
Robert Dove	Non-executive director
Alan Miles	Non-executive director
Yutaka Nakagawa	Non-executive director (resigned 1 April 2013)
Aage Holm	Alternate director for Peter Dexter
Yoshiaki Kato	Alternate director for Alan Miles
Simon Moore	Alternate director for Robert Dove
<i>Executive directors</i>	
Maurice James	Managing Director
<i>Other key management personnel</i>	
Paul Digney	MD Logistics division
William Hara	Qube General Counsel & Company Secretary
Paul Lewis	Qube CFO
Don Smithwick	MD Ports & Bulk division

Principles used to determine the nature and amount of executive remuneration

The executive remuneration framework provides Qube with simple and transparent remuneration practices that have regard to growth and performance ambitions as well as recognising the importance of Qube's people.

Qube's philosophy towards remuneration is based on a fixed component that is intended to be consistent with the lower end of comparable executive pay levels and a performance based component that increases the overall remuneration towards the upper end if the relevant performance hurdles are achieved. This is intended to align executive remuneration with long term value creation for Qube shareholders.

For the year ended 30 June 2013 the executive remuneration framework consisted of total fixed remuneration, cash short-term incentives and long-term incentives. The mix between these three components for particular roles varies.

Remuneration report

3. Remuneration Summary (continued)

Principles used to determine the nature and amount of executive remuneration (continued)

	Objective	Performance condition
Fixed remuneration	Reflects the market value of the role and the incumbent's skills, experience and performance, having regard to Qube's philosophy outlined above.	Reviewed annually following individual performance review and market relativity.
Short term incentive - at risk	Incentive for achievement of financial and non-financial objectives for the year.	Executives participated in a formal STI plan which assessed performance against pre-determined financial and non-financial KPI's over the financial year. The STI is in the form of a cash payment. The financial and non-financial scorecard measures against which the STI is assessed are set at the beginning of each year.
Long term incentive - at risk	Incentive for long-term shareholder value creation and assist in retention of key executives.	The Executive Long Term Incentive Plan (ELTIP) was the long-term incentive plan at Qube during FY13. The eligible participants were subject to performance conditions relating to financial performance (i.e. annual shareholder return ('ASR') and earnings per share ('EPS') growth targets) and continued engagement with Qube. There will be no further issues under the ELTIP (although the existing ELTIP issues will remain on foot). The ELTIP has been replaced with performance rights for LTI awards from FY14 onward. (See LTI in section 5 for more information).

4. Governance

Role of the Nomination & Remuneration Committee

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

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

The Corporate Governance Statement provides further information on the role of the Committee.

Use of remuneration advisers

During the year, Qube engaged The Hay Group to provide a remuneration benchmarking report for the remuneration of the Managing Director, Chief Financial Officer and General Counsel & Company Secretary. The comparator group used was the 25 companies listed on ASX by capitalisation above and below Qube's market capitalisation as at 31 December 2012. The report was used to position the remuneration of the other KMP. This engagement did not involve Hay Group providing a 'remuneration recommendation' as defined in section 9B of the *Corporations Act 2001*.

During the year, the Board appointed PricewaterhouseCoopers (PwC) as its independent remuneration adviser. PwC did not provide a remuneration recommendation as defined in section 9B of the *Corporations Act 2001* on the executive remuneration strategy and remuneration policies for key management personnel (KMP). PwC did provide advice on aspects of the remuneration of KMP including:

- market practice on executive remuneration structure;
- commentary on positioning of the Managing Director's remuneration against market; and
- commentary on incentive plan proposals against market practice.

Although a remuneration recommendation was not provided, consistent with good governance, the following arrangements were made to ensure PwC's advice was free of undue influence by any of the KMP:

- PwC was engaged by, and reported directly to, the Chair of the Committee

Remuneration report

4. Governance (continued)

Use of remuneration advisers (continued)

- The agreement for the provision of remuneration advisory services was executed by the Chair of the Committee on behalf of the Board; and
- PwC have declared that they have not been unduly influenced by the KMP in carrying out their duties for the Committee.

In FY13 the fees payable to PwC were \$10,000.

5. Remuneration framework

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The executive pay and reward framework has three components:

- fixed remuneration comprising base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives.

The combination of these comprises an executive's total remuneration and is set out below.

Remuneration mix

The relative proportions of remuneration (excluding legacy arrangements) that are linked to performance and those that are fixed for FY13 (at target) are as follows:

Name	Fixed remuneration	At risk – STI*	At risk – LTI*
Managing Director			
Maurice James	46%	35%	19%
Other key management personnel			
Paul Digney	60%	30%	10%
William Hara	44%	22%	34%
Paul Lewis	56%	28%	16%
Don Smithwick	62%	31%	7%

*As previously stated, in FY14 the remuneration mix has been re-weighted to place a greater proportion of remuneration at risk consistent with the Qube's growth oriented strategy and to align executive's interests with those of our shareholders.

Fixed remuneration

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered base pay comprising the fixed component of pay as well as contributions to superannuation plans. Base pay for executives is reviewed annually to ensure the executive's pay is competitive to comparable positions, having regard to Qube's remuneration philosophy outlined above.

Short-term incentives (STIs)

Each eligible executive has a target STI opportunity depending on the accountabilities of the role and impact of their role on the organisation or business unit performance. The maximum STI payable for FY13 is 75% of fixed remuneration for the Managing Director and 50% for other KMP and senior executives unless otherwise determined by the Committee.

If pre-determined annual financial and non-financial targets set by the Committee are met (KPIs), short-term incentives are payable to executives and other eligible participants. Cash incentives (bonuses) for senior executives are payable following the finalisation of audited annual results.

Each year, the Committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met (as shown on page 17). This includes setting any maximum payout under the short term incentive plan, and minimum levels of performance to trigger payment of short term incentives.

As outlined above, from FY14 onwards, 50% of the awarded STI will be deferred for one year for KMP and other senior executives.

The Committee is responsible for assessing whether the KPIs are met. To help make this assessment, the Committee receives reports on performance from management.

The Committee has the discretion to adjust short-term incentives in light of unexpected or unintended circumstances. The STI target opportunity is reviewed annually.

Remuneration report

5. Remuneration framework (continued)

Short-term incentives (STIs) (continued)

Managing Director:

KPI	Weighting	Measure
Financial Performance	40%	Underlying EBIT is a key metric used to assess Group performance. In F14 this is changing to Underlying NPAT. Below a minimum NPAT the weighting for this KPI is 0.
Capital Management	10%	Achievement of return on capital employed targets
Operational	20%	Operational targets such as successful management of projects & improved divisional efficiency.
Growth	10%	Secured work in key business areas.
People and Safety	10%	Employee engagement and delivery against defined safety objectives.
Stakeholder Relations	10%	Successful management of stakeholders.

Other Key Management Personnel:

KPI	Weighting	Measure
Financial Performance	15-30%	Underlying EBIT is a key metric used to assess Group performance. In F14 this is changing to Underlying NPAT. Below a minimum NPAT the weighting for this KPI is 0.
Divisional Targets	25%	Delivery against defined business unit objectives
Growth	10-20%	Successful completion of acquisitions, projects and achievement of return on capital employed targets
Safety	20%	Delivery of improved safety performance against defined targets.
Capital Management	10-20%	Utilisation and management of capital to meet growth demands.
Finance, Treasury & Risk Management	30%	Achievement of successful outcomes in risk management and treasury related matters
Other	10%	Delivering inter-divisional operational synergies and business development opportunities.
Stakeholder Relations	10%	Successful management of stakeholders.

The Committee believes the above performance measures appropriately reflect Qube's current strategic priorities and value creating activities.

In determining performance measures for short term incentives, the Committee ensures an appropriate mix of financial and non-financial targets and provides executives with a clear indication of the expected outcomes and priorities upon which their resources should be focussed.

The Board considers the financial performance measures to be appropriate as they are aligned with Qube's objective of delivering a sustainable growth in earnings over the medium to long term, which flows through to improved shareholder returns.

The non-financial measures encourage executives to act in alignment with Qube's corporate philosophy – including Qube's continued focus on providing a safe workplace for its employees.

Remuneration report

5. Remuneration framework (continued)

Determination of FY 13 STI Awards

Financial KPIs

Due to Qube's strong financial performance which exceeded internal targets, 100% of the STI related to Qube Group's financial performance was awarded. The Managing Director of the Logistics division did not meet all the internal financial targets for the division and therefore his STI relating to divisional financial performance was not met in full.

Non-Financial KPIs

The Managing Director of Qube was awarded approximately 75% of the target STI relating to non-financial measures reflecting the substantial improvement in safety performance, effective management of growth projects, effective capital management and the management of various stakeholders. STI targets relating to the development of Qube's strategic assets and the management of corporate responsibilities were not met in full.

Overall, the other KMP were awarded approximately 78% of target STI relating to non-financial measures reflecting the successful integration of the Giacci and MIST/ITG acquisitions, improvements in safety and effective management of growth projects. STI targets relating to other growth projects and effective treasury and risk management were not met in full.

Long-term incentives (LTIs)

Qube's LTI plan that applied up to and including FY13 is the ELTIP. Under the terms of the ELTIP, participating executives are provided with limited recourse interest bearing loans to enable them to acquire new fully paid ordinary shares in Qube. The shares, known as 'Plan Shares' vest progressively over a three year period subject to the achievement of service and performance conditions determined by the Board. These conditions relate to the achievement of earnings per share growth targets and shareholder return targets to ensure alignment between the LTI targets and delivering value for Qube's shareholders. The loan bears interest in an amount equal to the dividend paid on Plan Shares acquired with that loan, excluding any dividend characterised as a special dividend by the Board.

As outlined earlier, there will be no further grants under the ELTIP as Qube has implemented a new long term incentive plan based on the award of Performance Rights.

Full details of the terms of the new LTI will be included in the FY14 Remuneration Report.

Remuneration report

5. Remuneration framework (continued)

Long-term incentives (LTIs) (continued)

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

Participation	Only those executives invited by the Board to apply are eligible to participate.
Instrument	Plan Shares (ordinary shares with vesting subject to performance conditions)
Issue price	The issue price for Plan Shares acquired is the volume weighted average price (VWAP) at which shares trade on ASX over the 20 trading days prior to the date of issue of the shares.
Performance period	Maximum of 5 years and 3 months after issue date or any earlier date set by the Board at the time of offer of the Plan Shares.
Performance conditions	The performance conditions relate to financial performance and continued engagement with Qube. Presently, the financial performance criteria are based on improvements in the performance and profitability of the company as measured by a combination of compound annual shareholder return and earnings per share growth. There is an additional condition requiring continued employment with Qube.
Method for assessing performance	Vesting of the Plan Shares is typically subject to Qube achieving performance conditions set by the Board linked to shareholder return. For the ELTIP award made for the year ended 30 June 2013 the performance hurdles comprise: a) a compound annual shareholder return (ASR), including share price growth and dividends of 10%, b) a compound annual increase in the underlying earnings per share of 11%.
Vesting criteria	The Plan Shares vest in 3 tranches. Once vested, the Plan Shares may be traded subject only to the repayment of the loan referable to those Plan Shares and Qube's Securities Trading Policy.
Lapsing and forfeiture	Plan Shares will be forfeited, or sold by the company to repay the loan if performance hurdles are not achieved, or the executive is no longer employed by Qube.
Dividends	A participant in the ELTIP is entitled to receive any dividend or distribution paid in respect of Plan Shares.
Interest	The loan will bear interest in an amount equal to the dividend paid on Plan Shares acquired with that loan. Interest is payable within 3 business days of payment of dividends. Interest is not payable in respect of any dividend characterised as a special dividend by the Board being a dividend derived other than from the ordinary course of business.
Expiry date	No loan in relation to the Plan Shares is repayable until the earlier of: a) 2 years after the final vesting date for the relevant ELTIP issue b) settlement of the sale of the ELTIP shares, and c) 3 months after written notice by the company to repay the loan (in respect of vested shares). The loan is a limited recourse loan with the amount to be repaid limited to the lesser of the principal advanced and the price realised on sale of the Plan Shares.

Legacy arrangements

As disclosed in the FY12 Remuneration Report, Qube is phasing out legacy long term incentive arrangements to align all management interests with those of Qube rather than the individual divisions.

The Shadow Equity Plan will remain in place until December 2014 although no further issuance will occur under that plan. The terms of the Shadow Equity Plan were disclosed in the FY12 Remuneration Report and note 42 (b) & (c) and are unchanged.

Remuneration report

6. Linking rewards, performance and strategy

Performance of Qube

Qube's remuneration framework is intended to align rewards to management with the delivery of financial and non-financial performance that drives sustainable growth in shareholder value.

Over the last five years, there have been a number of events, including corporate restructures, internalisation of management, multiple acquisitions and a change in the accounting treatment of the logistics investments which have created substantial complexity and lack of meaningful comparability from year to year in the accounting measures outlined below.

As a result of these events, historic financial information is no longer comparable to current financial information of the Group as it stands today. Since Corporatisation in September 2011, the Group accounts for all its investments as either subsidiaries or equity accounted investments and no longer as financial instruments at fair value through profit or loss. This is the reason for such divergence from year to year in the revenue and earnings figures outlined below.

However, Qube's underlying revenue and earnings have grown significantly over the period, which has been reflected in the significant increase in Qube's market capitalisation over the period. This is illustrated by the share price movement over the last five years in the table below.

	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000
Revenue from sales and services	1,027,212	776,818	190,782*	n/a	n/a
Net gain/(loss) on financial instruments held at fair value through profit or loss	(155)	(150)	67,599	23,194	(20,070)
Profit/(loss) before income tax	109,931	(1,795)	71,351	29,913	(12,495)

* Qube Logistics (Aust) Pty Ltd consolidated from January 2011.

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Closing share price	\$1.66	\$1.55	\$1.56	\$0.78	\$0.54
Dividend/Distribution	4.3¢	3.9¢	3.8¢	3.5¢	4.0¢

7. Employment conditions

Service agreements

Remuneration and other terms of employment for the Managing Director and the other key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits, and participation, when eligible, in the LTI plan. Other major provisions of the agreements relating to remuneration are set out below.

The MD of the Logistics Division and the Chief Financial Officer's contracts may be terminated by either party with 3 months' notice, subject to termination payments as detailed below. The Company Secretary's contract provides for 3 months' notice by the executive and 6 months' notice by the company, while the Managing Director and the MD of the Ports & Bulk Division's contracts provide for 6 months' notice by the executive and 12 months' notice by the company.

Name	Term of agreement	Fixed remuneration including superannuation *	Termination benefit **
Maurice James, <i>Managing Director</i>	On-going commencing 1 September 2011	\$728,000 per annum	12 months base salary
Paul Digney, <i>MD Logistics division</i>	On-going commencing 1 September 2011	\$446,760 per annum	3 months base salary
William Hara, <i>Company Secretary</i>	On-going commencing 21 January 2013	\$400,000 per annum	6 months base salary
Paul Lewis, <i>Chief Financial Officer</i>	On-going commencing 1 September 2011	\$373,500 per annum	3 months base salary
Don Smithwick, <i>MD Ports & Bulk division</i>	On-going commencing 1 September 2011	\$603,185 per annum	12 months base salary

* Base salaries quoted are for FY13; they are reviewed annually by the Committee.

** Termination benefits are payable on early termination by the company, other than for gross misconduct; unless otherwise indicated, they are equal to the base salary for the remaining term of the agreement.

Remuneration report

8. Non-executive directors

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

To maintain their independence and impartiality, Non-executive directors' rewards do not have any at-risk components. Fees and payments to Non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Committee.

Directors' fees

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

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. At the 2012 AGM, shareholders approved the fee pool of \$1,200,000 per annum.

The following per annum fees have applied from 1 January 2013. It is not intended to increase the director fees outlined below in FY14:

	Year	Base Fee	Audit & Risk Management Committee	Safety Health & Environment Committee	Nomination & Remuneration Committee
Chairman	2013	\$185,000	-	-	-
Deputy Chairman	2013	\$140,000	-	-	-
Non-executive director	2013	\$85,000	-	-	-
Committee Chairman	2013	-	\$35,000	\$25,000	\$25,000
Committee Member	2013	-	\$17,500	\$12,500	\$12,500

The allocation of fees for FY13 based on responsibility per non-executive director are as follows:

	Board Fees			Audit & Risk Management		Safety, Health & Environment		Nomination & Remuneration		Other Fees*	Total
	Chair	Deputy Chair	Base Director fee	Chair	Member	Chair	Member	Chair	Member		
Chris Corrigan	\$152,500	-	-	-	-	-	-	-	\$12,500	-	\$165,000
Sam Kaplan	-	\$115,000	-	\$23,750	\$3,125	-	-	\$25,000	-	\$30,000	\$196,875
Ross Burney	-	-	\$72,500	-	\$15,000	-	-	-	-	-	\$87,500
Allan Davies	-	-	\$72,500	-	\$11,875	\$25,000	-	-	-	-	\$109,375
Peter Dexter	-	-	\$72,500	\$6,250	-	-	\$12,500	-	-	-	\$91,250
Robert Dove	-	-	\$72,500	-	-	-	-	-	\$12,500	-	\$85,000
Alan Miles	-	-	\$21,250	-	-	-	\$3,125	-	-	-	\$24,375
Yukata Nakagawa	-	-	\$51,250	-	-	-	\$9,375	-	-	-	\$60,625
Aage Holm	-	-	-	-	-	-	-	-	-	-	-
Yoshiaki Kato	-	-	-	-	-	-	-	-	-	-	-
Simon Moore	-	-	-	-	-	-	-	-	-	-	-
	\$152,500	\$115,000	\$362,500	\$30,000	\$30,000	\$25,000	\$25,000	\$25,000	\$25,000	\$30,000	\$820,000

* - Fees earned as director of associated entities prior to resigning as a director.

Remuneration report

8. Non-executive directors (continued)

Retirement allowances for Non-executive directors

Where appropriate, superannuation contributions required under the Australian Superannuation Guarantee Legislation are included in the directors' overall fee entitlements.

Director's interests

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

	Opening balance as at 1 July 2012	Held at time of becoming a Director	Dividend reinvestment	Disposed	Other changes	Balance as at 30 June 2013*	Balance as at date of report*
Chris Corrigan	15,993,553	-	-	-	-	15,993,553	15,993,553
Sam Kaplan	^A 35,431,696	-	-	^B (24,000,000)	-	^A 11,431,696	^A 11,431,696
Maurice James	3,870,855	-	-	-	2,000,000**	5,870,855	5,870,855
Ross Burney	-	-	-	-	-	-	-
Allan Davies	2,595,795	-	-	-	-	2,595,795	2,595,795
Peter Dexter	175,000	-	-	-	-	175,000	175,000
Robert Dove	-	-	-	-	-	-	-
Alan Miles	5,600	-	-	-	-	5,600	5,600
Yukata Nakagawa	-	-	-	-	-	-	-
Aage Holm	-	-	-	-	-	-	-
Yoshiaki Kato	-	-	-	-	-	-	-
Simon Moore	100,000	-	-	-	-	100,000	100,000

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

** - Includes 2,000,000 shares issued under the 2013 ELTIP.

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

^B - Off-market transfers as part of a restructure of holdings.

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

The company has not issued any options to directors.

Remuneration report

9. Details of total remuneration

Total amounts of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following tables. For the prior year (2012), remuneration reflected the 10 month period since corporatisation.

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

* - Joined the company on 21 January 2013

** - Resigned 1 April 2013

*** - Appointed 1 April 2013

Cash bonuses to KMP are paid following the finalisation of the audit of the financial results which would be in the financial year immediately following the financial year to which the bonus relates.

For shares issued under the 2013 ELTIP, or payments made under the legacy scheme included in the table above, the percentage of the available bonus or grant that was paid, or that vested, in the 2013 financial year is set out in the following pages. The ELTIP shares vest progressively over three years provided the vesting conditions are met.

Remuneration report

9. Details of total remuneration (continued)

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Equity-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	ELTIP	Legacy schemes	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
Chris Corrigan	72,327	-	31,702	6,509	-	-	-	110,538
Sam Kaplan	127,584	-	-	8,783	-	-	-	136,367
Ross Burney	55,489	-	-	4,994	-	-	-	60,483
Allan Davies	65,056	-	-	5,855	-	-	-	70,911
Peter Dexter	74,623	-	-	6,716	-	-	-	81,339
Robert Dove	60,483	-	-	-	-	-	-	60,483
Yutaka Nakagawa	60,483	-	-	-	-	-	-	60,483
Aage Holm	-	-	-	-	-	-	-	-
Alan Miles	-	-	-	-	-	-	-	-
Simon Moore	-	-	-	-	-	-	-	-
Sub-total non-executive directors	516,045	-	31,702	32,857	-	-	-	580,604
Executive directors								
Maurice James	481,333	273,350	-	32,000	-	220,417	-	1,007,100
Other key management personnel								
Paul Digney**	342,691	262,500	317	17,974	27,528	-	1,417,284	2,068,294
Paul Lewis	250,187	150,500	2,454	13,146	24,583	55,104	-	495,974
Don Smithwick*	495,235	278,000	2,454	-	-	-	1,339,769	2,115,458
Total key management personnel compensation (Group)	2,085,491	964,350	36,927	95,977	52,111	275,521	2,757,053	6,267,430

* Don Smithwick's short term benefits include a cash bonus of \$128,000 attributable to the calendar year ended 31 December 2011.

** Paul Digney's short term benefits include a cash bonus of \$175,000 attributable to the calendar year ended 31 December 2011.

Qube operated as a managed investment scheme with a Responsible Entity and an external investment manager and up until corporatisation in September 2011. Accordingly the fees in the table above are for the 10-month period from 1 September 2011 to 30 June 2012. There were no fees paid to the directors of the Responsible Entity up until corporatisation in September 2011.

For shares issued under the 2012 ELTIP, notional shares issued, or payments made under legacy schemes included in the table above, the percentage of the available bonus or grant that was paid or that vested, in the 2012 financial year is set out in the following pages. The ELTIP shares vest progressively over three years provided the vesting conditions are met.

Remuneration report

9. Details of total remuneration (continued)

Equity settled compensation

ELTIP

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

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

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

*- For the ASR hurdle it is prior to adjustment for dividends. For the EPS hurdle it is for the financial year ended 30 June.

** - Last possible vesting date.

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

Details of ELTIP shares in the company provided as remuneration to Qube Directors and key management personnel are set out below. Further information on the ELTIP scheme is set out in note 42 to the financial statements.

Name	Held at 1 July	Granted during the year	Fair value of Plan Shares granted (\$)*	Amount expensed during the year (\$)	Vested during the year	Transferred during the year	Lapsed during the year	Held at 30 June
Directors of Qube Holdings Limited								
Maurice James	2,000,000	2,000,000	\$427,333	\$306,653	1,333,333	-	-	4,000,000
Other key management personnel of the Group								
Paul Digney	500,000	-	-	\$71,597	166,666	-	-	500,000
William Hara	1,000,000	-	-	\$143,195	333,334	-	-	1,000,000
Paul Lewis	1,000,000	-	-	\$108,555	333,333	-	-	1,000,000
Don Smithwick	500,000	-	-	\$71,597	166,666	-	-	500,000

* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

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

Remuneration report

9. Details of total remuneration (continued)

Cash settled compensation

Legacy arrangements

As disclosed in the 2012 Remuneration Report, Qube has terminated or is phasing out its legacy incentive schemes. No further issues of shares or incentives relating to each of the legacy incentive schemes below occurred during the 2013 financial year.

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

Shadow Equity Plan

Name	Year granted	Vested %	Fair value of notional shares granted	Forfeited %	Financial years in which notional shares may vest	Amount expensed during the year \$
Paul Digney	2012	-	767,936	-	2011/2012	117,284
	2013	-	-	-	2012/2013	255,979
	2014	-	-	-	2013/2014	255,979
	2015	-	-	-	2014/2015	138,694
Don Smithwick	2012	-	221,336	-	2011/2012	39,769
	2013	-	-	-	2012/2013	73,779
	2014	-	-	-	2013/2014	73,779
	2015	-	-	-	2014/2015	34,009

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

Equity Growth Bonus Plan

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

The Equity Growth Bonus Plan fair value granted to the individual is equivalent to the cash bonus agreed on terminating the scheme. The impact of discounting for future payments was considered insignificant. Further information on both schemes is set out in note 42 to the financial statements.

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

Directors' Report

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 30 to the financial statements.

Insurance of officers

During the financial year, Qube Holdings Limited paid a premium to insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group against liabilities that are permitted to be covered by Section 199B of the Corporations Act 2001. It is a condition on the insurance contract that its limits of indemnity, the nature of the liability and the amount of the premium not be disclosed.

Indemnity of auditors

The company has not indemnified the auditor under certain circumstances as permitted in the *Corporations Act 2001*.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

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

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

The board of directors has considered the position and, in accordance with advice received from the Audit and Risk 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 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:

	2013 \$	2012 \$
Non-audit services		
Taxation services		
PwC Australian firm:		
Tax compliance services	126,336	57,300
Tax consulting services	71,770	384,075
Total remuneration for taxation services	198,106	441,375
Other services		
Other services	10,000	-
Total remuneration for non-audit services	208,106	441,375

Directors' Report

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 29.

Rounding of amounts

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

Auditor

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

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



Sam Kaplan
Director

SYDNEY
22 August 2013



Auditor's Independence Declaration

As lead auditor for the audit of Qube Holdings Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'N R McConnell', with a long, sweeping flourish extending from the end.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
22 August 2013

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Liability limited by a scheme approved under Professional Standards Legislation

Qube Holdings Limited (formerly Qube Logistics Holdings Limited)
Consolidated statement of comprehensive income
For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Revenue from continuing operations			
Revenue from sales and services	5	1,027,212	776,818
Other income	6	54,912	7,819
		1,082,124	784,637
Direct transport and logistics costs		(297,977)	(251,824)
Repairs and maintenance costs		(54,920)	(34,569)
Employee benefits expense	7	(373,409)	(289,545)
Fuel, oil and electricity costs		(83,120)	(52,246)
Occupancy and property costs		(58,384)	(47,183)
Depreciation and amortisation expense	7	(58,975)	(36,215)
Professional fees		(8,918)	(9,754)
Refinance costs		-	(7,419)
Qube Restructure termination payment	7	-	(40,000)
Trust related expenses		-	(274)
Other expenses	7	(19,276)	(16,205)
Total expenses		(954,979)	(785,234)
Finance income		2,662	4,842
Finance costs	7	(35,412)	(19,275)
Net finance costs		(32,750)	(14,433)
Share of net profit of associates accounted for using the equity method	38	15,536	13,235
Profit/(loss) before income tax		109,931	(1,795)
Income tax expense/(benefit)	8	28,861	(325)
Profit/(loss) for the period		81,070	(1,470)
Other comprehensive income net of tax:			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Total comprehensive income/(loss) for the period		81,070	(1,470)
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Qube		77,343	(2,525)
Non-controlling interests		3,727	1,055
		81,070	(1,470)
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	41	8.4	(0.3)
Diluted earnings per share	41	8.4	(0.3)

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

Qube Holdings Limited (formerly Qube Logistics Holdings Limited)
Consolidated balance sheet
As at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	57,729	118,565
Trade and other receivables	10	165,847	141,823
Inventories	11	3,511	3,604
Current tax receivable		-	2,903
Total current assets		<u>227,087</u>	<u>266,895</u>
Non-current assets			
Trade and other receivables	14	2,649	4,002
Financial assets at fair value through profit or loss	12	840	996
Investments accounted for using the equity method	15	197,424	182,763
Property, plant and equipment	16	513,622	362,933
Investment properties	17	293,431	279,400
Intangible assets	19	605,137	599,703
Other assets		728	1,395
Total non-current assets		<u>1,613,831</u>	<u>1,431,192</u>
Total assets		<u>1,840,918</u>	<u>1,698,087</u>
LIABILITIES			
Current liabilities			
Trade and other payables	20	96,337	94,505
Borrowings	21	18,169	19,306
Derivative financial instruments	13	449	-
Current tax payable		10,234	-
Provisions	22	52,764	38,226
Other		3,006	-
Total current liabilities		<u>180,959</u>	<u>152,037</u>
Non-current liabilities			
Trade and other payables	20	2,668	18,523
Borrowings	23	502,781	423,864
Derivative financial instruments	13	1,274	2,662
Deferred tax liabilities	24	2,145	592
Provisions	25	9,008	9,169
Total non-current liabilities		<u>517,876</u>	<u>454,810</u>
Total liabilities		<u>698,835</u>	<u>606,847</u>
Net assets		<u>1,142,083</u>	<u>1,091,240</u>
EQUITY			
Contributed equity	26	1,031,260	1,019,583
Reserves	27(a)	(34,843)	(34,138)
Retained earnings	27(b)	66,240	27,903
Capital and reserves attributable to owners of Qube		<u>1,062,657</u>	<u>1,013,348</u>
Non-controlling interests	28	<u>79,426</u>	<u>77,892</u>
Total equity		<u>1,142,083</u>	<u>1,091,240</u>

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

Qube Holdings Limited (formerly Qube Logistics Holdings Limited)
Consolidated statement of changes in equity
For the year ended 30 June 2013

		Attributable to owners of Qube				Non-con-	Total
		Contributed	Reserves	Retained	Total	trolling	equity
Notes		equity		earnings		interests	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011		583,907	20,589	63,299	667,795	18,592	686,387
Loss for the year		-	-	(2,525)	(2,525)	1,055	(1,470)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income/(loss) for the year:		-	-	(2,525)	(2,525)	1,055	(1,470)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	26	412,220	-	-	412,220	-	412,220
Acquisition of options from management of subsidiaries	27(a)	-	(8,751)	-	(8,751)	-	(8,751)
Transactions with non-controlling interests		-	(22,950)	-	(22,950)	(19,682)	(42,632)
Non-controlling interests acquired	28	-	-	-	-	77,927	77,927
Dividends/distributions provided for or paid	27(b)	-	-	(32,871)	(32,871)	-	(32,871)
Employee share scheme	26	23,456	(23,026)	-	430	-	430
		435,676	(54,727)	(32,871)	348,078	58,245	406,323
Balance at 30 June 2012		1,019,583	(34,138)	27,903	1,013,348	77,892	1,091,240
Profit for the year		-	-	77,343	77,343	3,727	81,070
Other comprehensive income		-	-	-	-	-	-
Total comprehensive(loss)/ income for the year		-	-	77,343	77,343	3,727	81,070
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	26	8,587	-	-	8,587	1,781	10,368
Transactions with non-controlling interests		-	-	-	-	(3,974)	(3,974)
Dividends provided for or paid	27(b)	-	-	(39,006)	(39,006)	-	(39,006)
Employee share scheme	26	3,090	(705)	-	2,385	-	2,385
		11,677	(705)	(39,006)	(28,034)	(2,193)	(30,227)
Balance at 30 June 2013		1,031,260	(34,843)	66,240	1,062,657	79,426	1,142,083

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

Qube Holdings Limited (formerly Qube Logistics Holdings Limited)
Consolidated statement of cash flows
For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,161,652	833,718
Payments to suppliers and employees (inclusive of goods and services tax)		(982,957)	(754,256)
		178,695	79,462
Proceeds from disposal of financial assets at fair value through profit or loss		-	6,459
Dividends and distributions received		10,406	17,083
Interest received		2,800	5,031
Other revenue		-	1,119
Interest paid		(35,943)	(15,557)
Income taxes paid		(11,139)	(20,700)
Fees paid to Kaplan Funds Management Pty Limited		-	(19,728)
Net cash inflow from operating activities	40	144,819	53,169
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	35	(47,132)	(199,211)
Payments for property, plant and equipment	16	(175,111)	(77,751)
Payments for investment property development expenditure	17	(5,476)	-
Payments for additional investment in associates		(20,000)	(2,563)
Payments for settlement of contingent consideration on acquisitions		(5,500)	-
Payments for asset acquisitions		-	(9,782)
Assets acquired through asset acquisitions		-	10,160
Loans to related entities		(291)	(50)
Proceeds from sale of property, plant and equipment		4,331	1,207
Payments for non-controlling interests		-	(13,317)
Net cash outflow from investing activities		(249,179)	(291,307)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		-	83,827
Proceeds from the issue of units to non-controlling interests		1,781	-
Proceeds from borrowings		253,992	438,288
Repayment of borrowings		(153,318)	(201,345)
Finance lease payments		(23,054)	(13,832)
Dividends paid to company's shareholders		(30,416)	(28,756)
Distributions paid to non-controlling interests		(5,461)	(339)
Net cash inflow from financing activities		43,524	277,843
Net (decrease)/ increase in cash and cash equivalents		(60,836)	39,705
Cash and cash equivalents at the beginning of the financial year		118,565	78,860
Cash and cash equivalents at end of year	9	57,729	118,565
Non-cash investing and financing items	40(a)	11,677	261,432

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

Notes to the consolidated financial statement

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1 Corporate information

The consolidated financial statements of Qube Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 22 August 2013.

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment property.

(v) Critical accounting estimates

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

(vi) Comparative information

During the year ended 30 June 2012, Qube completed a major restructure ('Qube Restructure').

Consistent with its disclosure at 30 June 2013, the Group has changed the classification of some of its income and major expense items in the statement of comprehensive income to better reflect the operations of the Group. Deferred tax balances have also been offset in the balance sheet as there is a legally enforceable right to offset balances that relate to the same taxation authority. The comparative information has been reclassified accordingly and there is no change to the net result or net assets of the Group.

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Qube Holdings Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Qube Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities over which the company, directly or indirectly has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(i)).

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

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 38).

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

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

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

(iii) Changes in ownership interests

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

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

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies (continued)

(c) Segment reporting

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

(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised (net of discounts, allowances and disbursements) as follows:

(i) Provision of services

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

(ii) Storage

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

(f) Other income

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

(i) Asset sales

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

(ii) Interest income

Interest income is recognised in the statement of comprehensive income for all debt instruments using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the statement of comprehensive income. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(n).

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

(iii) Rental Income

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

(iv) Dividends

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

2 Summary of significant accounting policies (continued)

(g) Income tax

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

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

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

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

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

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

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

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

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

(i) Investment allowances and similar tax incentives

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

(h) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

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

2 Summary of significant accounting policies (continued)

(i) Business combinations

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

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

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

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

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

(j) Impairment of assets

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

(k) Cash and cash equivalents

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

(l) Trade receivables

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

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(f). Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing their carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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.

2 Summary of significant accounting policies (continued)

(m) Inventories

(i) *Inventories on hand*

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

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

Classification

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

These include investments in exchange traded equity instruments.

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

Recognition and derecognition

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

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

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

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

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

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

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

Measurement

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

(o) Derivatives

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

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

2 Summary of significant accounting policies (continued)

(p) Property, plant and equipment

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

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

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

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

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

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

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

(q) Investment properties

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

(r) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2(i). Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Operating rights

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

(iii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful life which is between 10 to 20 years.

2 Summary of significant accounting policies (continued)

(s) Trade and other payables

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

(t) Borrowings

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

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

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

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

(u) Borrowing costs

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

(v) Provisions

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

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

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

(w) Employee benefits

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

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

(ii) Long service leave

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

(iii) Superannuation

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

2 Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(iv) Bonus plans

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

(v) Employee benefit on-cost

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

(vi) Share based payments

Share based compensation benefits are provided to certain senior management via the Group's executive long term incentive plan ('ELTIP'), and the shadow equity plan. The ELTIP includes both performance and service based hurdles. The fair value of the benefits under this scheme is expensed to the profit and loss over the period over which the employee incentive is applicable, with a corresponding increase in contributed equity.

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

(x) Contributed equity

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

(y) Dividends

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

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

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

(aa) Goods and Services Tax (GST)

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

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

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

(ab) Rounding of amounts

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

2 Summary of significant accounting policies (continued)

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) (effective for annual reporting periods beginning on or after 1 January 2015).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is applicable for periods after 1 January 2015 but is available for early adoption. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. When adopted, the standard will affect in particular the Group's disclosure of its own credit risk adjustments for any financial liabilities that are designed at fair value through profit and loss. This standard is not expected to have a material impact on the Group's financial statements.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013).

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance on joint arrangements.

These standards are not expected to have any impact on the recognition and measurement of amounts in the Group's financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from ASAB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has provisionally determined that none of its current measurement techniques will have to change as a result of this new guidance.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.

2 Summary of significant accounting policies (continued)

(ac) New accounting standards and interpretations (continued)

(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

In September 2011, the AASB released a revised standard on accounting for employee benefits. Amongst other changes it introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. This standard is not expected to have any material impact on the recognition and measurement of amounts in the Group's financial statements.

The Group will apply the new standard when it becomes operative, being from 1 July 2013.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(ad) Parent entity financial information

The financial information for the parent entity disclosed in note 44 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

(iii) Financial guarantees

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

(iv) Share based payments

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

3 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

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

(ii) Income taxes

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

(iii) Estimated fair values of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations at least every two years 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 17.

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

The Group has undertaken a valuation of its investments accounted for using the equity method based on its proportionate ownership of these businesses. The recoverable amount of each investment is determined using a discounted cashflow model which requires the use of assumptions that may be subject to change. The general valuation assumptions include an average discount rate of 10.4%.

4 Segment information

As highlighted in the Qube Group 2012 Annual Report, Qube restructured from a managed investment scheme to an operational company ('corporatised') during August 2011. Corporatisation comprised the interposition of a new holding company and a change in accounting treatment of Qube's underlying investments from financial assets at fair value to subsidiaries and equity accounted associates.

To compensate for this and to provide meaningful analysis to the Board, management included pro-forma adjustments in the 2012 statutory results of the Qube Group. Pro-forma adjustments included items such as:

- including 2 months' worth of profit after tax for Qube Ports & Bulk and the Minto Properties
- including 2 months proportional contribution from Qube's associates
- the removal of distributions received from MIPT under the previous trust structure
- excluding the impact of non-recurring costs associated with the Qube Restructure and Qube's previous trust structure, and
- excluding non-cash items such as fair value adjustments and non-operating expenses such as refinance costs and stamp duty.

As the 2013 financial year represents the first full year of operation for the Qube Group as a company, pro-forma adjustments are no longer required. However, in order to provide the Board with a gauge of the underlying performance of the operating businesses, management has adjusted the 2013 statutory result to exclude non-cash items such as fair value adjustments, impairments and other non-recurring expenses.

(a) Description of segments

Management has determined the operating segments based on the reports used by the Board to make strategic decisions.

Logistics

The primary focus of the Logistics division is on providing a broad range of services relating to the import and export of containerised cargo. The services currently provided include the physical and documentary processes and tasks of the import/export supply chain such as road and rail transport of containers to and from ports, operation of full and empty container parks, customs and quarantine services, warehousing, intermodal terminals and international freight forwarding. The business operates nationally with strategic locations near the ports in key capital cities.

Ports & Bulk

This division has two core activities comprising port and bulk logistics. It is focused on the provision of a range of logistics services relating to the import and export of mainly non-containerised freight, with a major focus on automotive, bulk and break bulk products.

Qube's port logistics activities are focused on the provision of an integrated logistics solution for the automotive industry, covering a range of activities including facilities management, stevedoring, processing and delivery. This division also provides stevedoring services for project cargo and other similar items.

Qube's bulk logistics activities are aimed at offering customers a comprehensive logistics solution from mine-to-ship covering activities including transport, stockpile management, ship loading facilities and stevedoring. Qube handles a diverse range of commodities including iron ore, manganese, nickel concentrate and mineral sands. The main operations are located in Western Australia and Queensland.

Strategic Assets

This division comprises Qube's interest in the Moorebank Industrial Property Trust (66.7%) and a strategically located property at Minto in Sydney's south west (100%). Both of these properties are located adjacent to the dedicated Southern Sydney Freight Line (SSFL).

These assets are being leased to quality third party tenants to generate income while Qube undertakes the necessary analysis and planning with a view to obtaining the required development approvals to transform these assets into operating logistics properties predominantly involving inland rail terminals and related logistics activities.

Corporate & Other

Corporate head office 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 new and or manage growth opportunities that do not fall within one of the existing divisions. It also includes managing a broad range of reporting, corporate governance and other functions of the Group.

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

4 Segment information (continued)

(b) Segment information provided to the Board

2013	Logistics \$'000	Ports & Bulk \$'000	Strategic Assets \$'000	Corporate & Other \$'000	Total \$'000
Revenue from external customers	538,369	507,014	36,746	(5)	1,082,124
Underlying adjustments (net)	-	(7,956)	(9,100)	5	(17,051)
Underlying revenue	538,369	499,058	27,646	-	1,065,073

Underlying revenue is determined as follows:

Underlying revenue is revenue from external customers adjusted to exclude non-cash items such as fair value adjustments on investment properties and other non-recurring items such as release of contingent consideration payable.

A reconciliation of net profit/(loss) before income tax to Underlying EBITA is as follows:

Net profit/(loss) before income tax	46,444	71,872	25,915	(34,300)	109,931
Share of profit of associates	(418)	(15,118)	-	-	(15,536)
Interest income	(684)	(743)	(209)	(1,026)	(2,662)
Interest expense	1,775	3,382	4,883	26,312	36,352
Fair value of derivatives	(104)	(505)	(756)	425	(940)
Depreciation & amortisation	24,829	33,732	410	4	58,975
EBITDA	71,842	92,620	30,243	(8,585)	186,120
Impairment losses on investments in associates	-	10,500	-	-	10,500
Release of contingent consideration payable	-	(7,956)	-	-	(7,956)
Cost of legacy incentive schemes	1,536	319	-	-	1,855
Fair value adjustments (net)	-	-	(9,100)	135	(8,965)
Underlying EBITDA	73,378	95,483	21,143	(8,450)	181,554
Depreciation	(23,081)	(29,699)	-	(4)	(52,784)
Underlying EBITA	50,297	65,784	21,143	(8,454)	128,770
Total segment assets	636,036	900,738	301,119	3,025	1,840,918
Total assets includes:					
Investments in associates	2,306	195,118	-	-	197,424
Additions to non-current assets (other than financial assets and deferred tax)	129,962	90,298	5,476	15	225,751
NCI share of total assets	-	-	80,068	-	80,068
Total segment liabilities	84,285	136,664	120,846	357,040	698,835

EBITDA, Underlying EBITDA and Underlying EBITA are determined as follows:

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

Underlying EBITDA is EBITDA adjusted to remove non-cash items such as fair value adjustments on investment properties and other non-recurring items such as impairments and release of contingent consideration payable.

Underlying EBITA is Underlying EBITDA adjusted to remove depreciation.

4 Segment information (continued)

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

2012	Logistics \$'000	Ports & Bulk \$'000	Strategic Assets \$'000	Corporate & Other \$'000	Total \$'000
Revenue from external customers	476,758	301,756	6,232	(109)	784,637
Pro-forma adjustments (net)	-	51,573	409	109	52,091
Pro-forma revenue	476,758	353,329	6,641	-	836,728

Pro-forma revenue is determined as follows:

Pro-forma revenue is revenue from external customers adjusted to:

- exclude distributions received from MIPT for the 2 months it was under Qube's previous trust structure, and
- include the revenues of Qube Ports & Bulk and the Minto Properties for the 2 month period prior to the Qube Restructure.

A reconciliation of net profit/(loss) before income tax to Pro-forma EBITA is as follows:

Net profit/(loss) before income tax	23,212	35,490	(5,213)	(55,284)	(1,795)
Share of profit of associates	(273)	(12,519)	(443)	-	(13,235)
Interest income	(457)	(362)	(260)	(3,763)	(4,842)
Interest expense	8,561	5,537	4,687	(2,172)	16,613
Fair value of derivatives	-	-	1,226	1,436	2,662
Depreciation & amortisation	20,440	15,364	411	-	36,215
EBITDA	51,483	43,510	408	(59,783)	35,618
Fair value adjustments (net)	-	-	255	150	405
Non-recurring Qube Restructure items (excluding stamp duty)	-	-	-	42,757	42,757
Cost of legacy incentive schemes	5,857	2,756	-	-	8,613
Refinance costs	353	281	-	6,785	7,419
Stamp duty	1,640	1,500	4,454	2,713	10,307
Adjusted EBITDA	59,333	48,047	5,117	(7,378)	105,119
Pro-forma adjustments	-	7,717	(14)	(122)	7,581
Pro-forma EBITDA	59,333	55,764	5,103	(7,500)	112,700
Depreciation	(17,920)	(13,508)	-	-	(31,428)
Pro-forma EBITA	41,413	42,256	5,103	(7,500)	81,272
Total segment assets	513,486	811,798	291,677	81,126	1,698,087
Total assets includes:					
Additions to non-current assets (other than financial assets and deferred tax)	82,241	403,072	-	13	485,326
NCI share of total assets	-	-	78,607	-	78,607
Investments in associates	1,888	180,875	-	-	182,763
Total segment liabilities	85,452	128,880	75,276	317,239	606,847

EBITDA, Adjusted EBITDA, Pro-forma EBITDA and Pro-forma EBITA are determined as follows:

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

Adjusted EBITDA is EBITDA adjusted to remove the impact of the non-recurring costs associated with the Qube Restructure and Qube's previous trust structure, non-cash items such as fair value adjustments and non-operating expenses such as refinance costs and stamp duty.

Pro-forma EBITDA is Adjusted EBITDA amended to:

- exclude distributions received from MIPT for the 2 months it was under Qube's previous trust structure, and
- include the EBITDA of Qube Ports & Bulk and the Minto Properties for the 2 month period prior to the Qube Restructure.

Pro-forma EBITA is Pro-forma EBITDA adjusted to remove depreciation.

4 Segment information (continued)

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

(c) Other segment information

Qube operates principally in Australia and has no single external customer for which revenues amount to 10% or more of total revenue.

(i) **Segment assets**

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

(ii) **Segment liabilities**

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

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

5 Revenue

2013 \$'000	2012 \$'000
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From continuing operations

Sales revenue

Transport and logistics services rendered

<u>1,027,212</u>	776,818
<u>1,027,212</u>	<u>776,818</u>

6 Other income

Notes

Net gain on disposal of property, plant and equipment	527	412
Fair value losses on financial liabilities at fair value through profit or loss	(155)	(150)
Fair value gains/(losses) on investment property	9,100	(4,182)
Management fees	98	210
Dividend and distribution income	31	902
Gain realised on acquisition of subsidiary	-	3,927
Rental and property related income	37,335	6,686
Gain from de-recognition of contingent consideration payable.	7,956	-
Other	20	14
	<u>54,912</u>	<u>7,819</u>

7 Expenses

	2013 \$'000	2012 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	822	109
Plant and equipment	47,178	26,058
Leasehold improvements	4,784	3,752
Total depreciation	<u>52,784</u>	<u>29,919</u>
<i>Amortisation</i>		
Customer contracts	5,781	5,885
Operating rights	410	411
Total amortisation	<u>6,191</u>	<u>6,296</u>
<i>Depreciation and amortisation expense</i>	<u>58,975</u>	<u>36,215</u>
<i>Finance expenses</i>		
Interest and finance charges paid/payable	31,194	12,174
Fair value adjustments – derivative instruments	(940)	2,662
Less: interest costs capitalised during the year	-	(317)
Finance lease charges expensed	5,158	4,756
Finance costs expensed	<u>35,412</u>	<u>19,275</u>
<i>Rental expense relating to operating leases</i>		
Property	48,540	36,070
Motor vehicles	4,026	1,410
Plant and equipment	45,673	41,617
Total rental expense relating to operating leases	<u>98,239</u>	<u>79,097</u>
<i>Employee benefits expense</i>		
Defined contribution superannuation expenses	23,659	17,102
Share based payment expenses	3,912	9,043
Other employee benefits expense	345,837	263,400
Total employee benefits expenses	<u>373,409</u>	<u>289,545</u>
<i>Restructure costs</i>		
Qube Restructure termination payment	-	40,000
<i>Stamp duty costs</i>	-	10,307
Other expenses includes:		
<i>Impairment of investment in associates (note 38)</i>		
Northern Stevedoring Services Pty Ltd	<u>10,500</u>	<u>-</u>

8 Income tax expense

	2013 \$'000	2012 \$'000
(a) Income tax expense/(benefit):		
Current tax	28,098	11,601
Deferred tax assets	189	7,706
Deferred tax liabilities	1,364	(19,632)
Adjustments for current tax of prior periods	(790)	-
	<u>28,861</u>	<u>(325)</u>

Deferred income tax (revenue) expense included in income tax expense comprises:

Decrease in deferred tax assets (note 18)	189	7,706
Increase (decrease) in deferred tax liabilities (note 24)	1,364	(19,632)
	<u>1,553</u>	<u>(11,926)</u>

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

Profit/(loss) before income tax expense	109,931	(1,795)
Tax at the Australian tax rate of 30% (2012 – 30%)	32,979	(538)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Rebatable dividends	(9)	(20)
Share-based payments	658	129
Distribution income	-	1,266
Deferred tax on distributions where deferred tax balances not recognised	(417)	-
Reversal of deferred tax liability on unrealised gains for unlisted investments	-	(25,291)
Non assessable equity accounted profit	(4,661)	(3,970)
Reset of tax cost bases for property plant and equipment	2,570	9,098
Capital losses derecognised	-	8,839
De-recognition of contingent consideration	(2,460)	-
Fair value gain on revaluation of investment properties	(2,730)	-
Loss on impairment of an associate	3,150	-
Non-deductible portion of termination fee	-	9,600
Sundry items	(219)	562
Income tax expense/(benefit):	<u>28,861</u>	<u>(325)</u>

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

Current tax - credited directly to equity	-	-
Net deferred tax - debited (credited) directly to equity (note 18)	-	(368)
	<u>-</u>	<u>(368)</u>

9 Current assets - Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank and on hand	57,729	67,697
Short term deposits	-	50,868
	<u>57,729</u>	<u>118,565</u>

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

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

	2013 \$'000	2012 \$'000
Balances as above	57,729	118,565
Balances per consolidated statement of cash flows	<u>57,729</u>	<u>118,565</u>

(b) Risk exposure

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

10 Current assets - Trade and other receivables

	2013 \$'000	2012 \$'000
Trade receivables	143,586	119,209
Provision for impairment of receivables (a)	(2,952)	(2,033)
	<u>140,634</u>	<u>117,176</u>
Prepayments	11,829	10,791
Accrued revenue	11,525	11,755
Other	1,859	2,101
	<u>165,847</u>	<u>141,823</u>

(a) Impaired trade receivables

As at 30 June 2013 current trade receivables of the Group with a nominal value of \$2,952,000 (2012 - \$1,751,000) were impaired. The amount of the provision was \$2,952,000 (2012 - \$2,033,000). The Group expects that a portion of the receivables may be recovered. The individually impaired receivables are mainly the result of a difficult global and domestic environment that has impacted Qube's customers.

The ageing of these receivables is as follows:

	2013 \$'000	2012 \$'000
Up to 3 months	468	-
3 months and greater	2,484	1,751
	<u>2,952</u>	<u>1,751</u>

10 Current assets - Trade and other receivables (continued)

(a) Impaired trade receivables (continued)

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

	2013 \$'000	2012 \$'000
At 1 July	(2,033)	(1,162)
Provision for impairment recognised during the year	(1,313)	(1,337)
Receivables written off during the year as uncollectible	394	1,149
Provisions acquired as part of an acquisition	-	(683)
	(2,952)	(2,033)

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

(b) Past due but not impaired

As at 30 June 2013, trade receivables of \$12,148,000 (2012 - \$17,695,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 \$'000	2012 \$'000
Up to 3 months	11,773	14,397
3 months and greater	375	3,298
	12,148	17,695

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(c) Fair value and credit risk

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

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

11 Current assets - Inventories

	2013 \$'000	2012 \$'000
At cost		
Fuel	891	428
Steel strapping	-	44
Containers	1,673	1,598
Spare parts and other inventory	947	1,534
	<u>3,511</u>	<u>3,604</u>

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 June 2013 amounted to \$52,208,000 (2012 - \$27,550,000).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2013 amounted to Nil (2012 - Nil).

12 Financial assets at fair value through profit or loss

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

	2013 \$'000	2012 \$'000
Non-current assets		
Listed investments	<u>840</u>	<u>996</u>

(a) Risk exposure and fair value measurements

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

13 Derivative financial instruments

	2013 \$'000	2012 \$'000
Current liabilities		
Interest rate swap contracts	449	-
Non-current liabilities		
Interest rate swap contracts	1,274	2,662

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 43).

Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 6.2% including commitment fees. It is Group policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to pay interest at fixed rates. Swaps currently in place cover approximately 50% (2012 – 41.0%) of the variable loan principal outstanding with a weighted average base rate of 3.8%.

(b) Risk exposures and fair value measurements

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of derivative mentioned above.

14 Non-current assets – Trade and other receivables

	2013 \$'000	2012 \$'000
Loans to employees	2,649	4,002

Further information relating to these loans and loans provided under the ELTIP to related parties and key management personnel are set out in notes 34 and 30 respectively.

(a) Impaired receivables and receivables past due

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

(b) Fair values

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

	2013		2012	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Loans to employees	2,649	2,649	4,002	4,002

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

(c) Risk exposure

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

15 Non-current assets - Investments accounted for using the equity method

	2013 \$'000	2012 \$'000
Investments in associates (note 38)	<u>197,424</u>	<u>182,763</u>

16 Non-current assets - Property, plant and equipment

	Land and buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2011				
Cost	-	84,592	43,695	128,287
Accumulated depreciation	-	(5,645)	(1,340)	(6,985)
Net book amount	<u>-</u>	<u>78,947</u>	<u>42,355</u>	<u>121,302</u>
Year ended 30 June 2012				
Opening net book amount	-	78,947	42,355	121,302
Acquisition of subsidiary	22,021	144,516	28,056	194,593
Additions	4,465	68,255	5,031	77,751
Disposals	-	(794)	-	(794)
Depreciation charge	(109)	(26,058)	(3,752)	(29,919)
Closing net book amount	<u>26,377</u>	<u>264,866</u>	<u>71,690</u>	<u>362,933</u>
At 30 June 2012				
Cost	26,486	296,569	76,782	399,837
Accumulated depreciation	(109)	(31,703)	(5,092)	(36,904)
Net book amount	<u>26,377</u>	<u>264,866</u>	<u>71,690</u>	<u>362,933</u>
Year ended 30 June 2013				
Opening net book amount	26,377	264,866	71,690	362,933
Acquisition of subsidiary	-	32,164	-	32,164
Additions	59,047	103,393	12,671	175,111
Disposals	(6)	(3,796)	-	(3,802)
Depreciation charge	(822)	(47,178)	(4,784)	(52,784)
Closing net book amount	<u>84,596</u>	<u>349,449</u>	<u>79,577</u>	<u>513,622</u>
At 30 June 2013				
Cost	85,527	428,330	89,453	603,310
Accumulated depreciation	(931)	(78,881)	(9,876)	(89,688)
Net book amount	<u>84,596</u>	<u>349,449</u>	<u>79,577</u>	<u>513,622</u>

(a) Leased assets

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

	2013 \$'000	2012 \$'000
Leased equipment		
Cost	81,717	85,462
Accumulated depreciation	<u>(34,142)</u>	<u>(25,316)</u>
Net book amount	<u>47,575</u>	<u>60,146</u>

(b) Non-current assets pledged as security

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

17 Non-current assets - Investment properties

	2013 \$'000	2012 \$'000
At Fair value		
Opening balance at 1 July	279,400	-
Acquisition of subsidiaries	-	281,313
Capitalised subsequent expenditure	5,476	1,424
Net gain/(loss) from fair value adjustments	9,100	(4,182)
Straight-lining of operating lease rental income	(545)	845
Closing balance at 30 June	293,431	279,400

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

Rental income	27,646	6,260
Direct operating expenses from property that generated rental income	(5,119)	(1,162)
Direct operating expenses from property that did not generate rental income	(72)	(91)

(b) Valuation basis

The Group currently obtains independent valuations for its investment properties at least every two years or as otherwise required. At the end of each reporting period, the director's update their assessment of the fair value of each property, taking into account the most recent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

In determining the fair value of investment properties held, the directors consider information from a variety of sources including:

- (i) 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
- (ii) discounted cash flow projections based on reliable estimates of future cash flows
- (iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence
- (iv) the most recent independent valuation.

The investment property held by the Group at Moorebank is leased to the Commonwealth of Australia (Department of Defence) (the "Tenant"), who occupies 100% of the property. On 25 March 2013 the tenant exercised their option to extend the lease for a further 5 years.

At the end of each reporting period the key assumptions used by the directors in determining fair value were in the following ranges for the Group's portfolio of properties:

	2013	2012
Discount rate	7.0% - 9.5%	9.8% - 10.0%
Terminal yield	7.5% - 7.8%	6.2% - 10.7%
Capitalisation rate	7.5% - 8.0%	8.5% - 9.3%
Rental growth rate	2.6% - 3.0%	2.8% - 3.0%

All of the above key assumptions have been taken from the last independent valuation report for the strategic properties.

17 Non-current assets - Investment properties (continued)

(c) Non-current assets pledged as security

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

(d) Contractual obligations

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

(e) Leasing arrangements

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

	2013 \$'000	2012 \$'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	24,669	16,657
Later than one year but not later than 5 years	77,562	4,649
Later than 5 years	-	-
	<u>102,231</u>	<u>21,306</u>

18 Non-current assets – Deferred tax assets

The balance comprises temporary differences attributable to:

Employee benefits	17,691	13,300
Plant and equipment	-	450
Tax losses	-	1,355
Other provisions	4,931	7,706
Total deferred tax assets	<u>22,622</u>	<u>22,811</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 24)	<u>(22,622)</u>	<u>(22,811)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>

Deferred tax assets expected to be recovered within 12 months	8,691	13,963
Deferred tax assets expected to be recovered after more than 12 months	13,931	8,848
	<u>22,622</u>	<u>22,811</u>

Movements	Employee benefits \$'000	Plant and equipment \$'000	Tax losses \$'000	Capital losses \$'000	Other \$'000	Total \$'000
At 1 July 2011	3,935	498	3,115	8,102	7,817	23,467
(Charged)/credited						
- to profit or loss	2,196	(48)	(1,760)	(8,102)	8	(7,706)
- directly to equity	-	-	-	-	(368)	(368)
Acquisition of subsidiary	7,169	-	-	-	249	7,418
At 30 June 2012	<u>13,300</u>	<u>450</u>	<u>1,355</u>	<u>-</u>	<u>7,706</u>	<u>22,811</u>
(Charged)/credited						
- to profit or loss	4,391	(450)	(1,355)	-	(2,775)	(189)
- directly to equity	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-
At 30 June 2013	<u>17,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,931</u>	<u>22,622</u>

19 Non-current assets - Intangible assets

	Goodwill \$'000	Operating rights \$'000	Customer contracts \$'000	Total \$'000
At 1 July 2011				
Cost	191,672	7,609	-	199,281
Accumulated amortisation and impairment	-	(857)	-	(857)
Net book amount	191,672	6,752	-	198,424
Year ended 30 June 2012				
Opening net book amount	191,672	6,752	-	198,424
Finalisation of acquisition accounting	(14,275)	-	18,500	4,225
Acquisition of business	373,050	-	30,300	403,350
Amortisation charge	-	(411)	(5,885)	(6,296)
Closing net book amount	550,447	6,341	42,915	599,703
At 30 June 2012				
Cost	550,447	7,609	48,800	606,856
Accumulated amortisation and impairment	-	(1,268)	(5,885)	(7,153)
Net book amount	550,447	6,341	42,915	599,703
At 1 July 2012				
Year ended 30 June 2013				
Opening net book amount	550,447	6,341	42,915	599,703
Finalisation of acquisition accounting	(1,375)	-	-	(1,375)
Acquisition of business*	12,200	-	800	13,000
Amortisation charge	-	(410)	(5,781)	(6,191)
Closing net book amount	561,272	5,931	37,934	605,137
At 30 June 2013				
Cost	561,272	7,609	49,600	618,481
Accumulated amortisation and impairment	-	(1,678)	(11,666)	(13,344)
Net book amount	561,272	5,931	37,934	605,137

*- Qube Logistics' acquisition of Macarthur Intermodal Shipping Terminal in August 2012.

Amortisation of \$6,191,000 (2012 - \$6,296,000) is included in depreciation and amortisation expense in profit or loss.

19 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

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

	2013	2012
	\$'000	\$'000
Logistics	219,508	207,308
Ports & Bulk	341,764	343,139
	561,272	550,447

(b) Impairment tests for goodwill

The recoverable amount of a CGU is determined based on value-in-use calculations, using cash flow projections based on financial budgets and forecasts prepared by management covering a three year period. Cash flows beyond a three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business for which the CGU operates.

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

The CGU cash flow projections used for impairment testing assume no material adverse change to economic conditions for the 2014 to 2016 period. No significant changes to the underlying models and assumptions have been made.

Terminal values after year three have been determined using a stable growth model, having regard to post tax discount rates and long term growth rates.

CGU	Growth rate		Discount rate	
	2013 %	2012 %	2013 %	2012 %
Logistics	2.5-3.5	3.0-4.0	10.5	12.0
Ports & Bulk	2.5-3.5	3.0-4.0	10.2	12.0

(d) Impact of possible changes in key assumptions

The base case growth and discount rates used in the impairment testing of goodwill for each CGU where goodwill has been identified have been disclosed above. If the discount rate increased, or growth rate decreased by 1% in each year of the valuation it would not result in an impairment of goodwill.

20 Trade and other payables

	2013	2012
	\$'000	\$'000
Current:		
Trade payables and accruals	82,112	82,420
Share based compensation payable (refer note 42)	3,800	3,900
Contingent consideration	5,585	5,420
GST payable	4,840	2,765
	96,337	94,505
Non-current:		
Share based compensation payable (refer note 42)	2,668	4,713
Contingent consideration	-	13,810
	2,668	18,523

21 Current liabilities - Borrowings

	2013 \$'000	2012 \$'000
Secured		
Finance lease liabilities (note 33)	18,169	19,306
Total secured current borrowings	<u>18,169</u>	<u>19,306</u>

(a) Security and fair value disclosures

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

(b) Risk exposures

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

22 Current liabilities - Provisions

	2013 \$'000	2012 \$'000
Employee benefits	50,519	36,628
Onerous contract (property lease)	1,749	1,249
Provision for distribution	496	349
	<u>52,764</u>	<u>38,226</u>

(a) Movements in provisions

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

2013	Onerous contracts \$'000	Provision for distribution \$'000	Total \$'000
Current			
Carrying amount at start of year	1,249	349	1,598
Charged/(credited) to profit or loss			
- additional provisions recognised	-	5,607	5,607
- unused amounts reversed	(112)	-	(112)
Transferred from non-current provision	2,222	-	2,222
Amounts used during the year	(1,610)	(5,460)	(7,070)
Carrying amount at end of year	<u>1,749</u>	<u>496</u>	<u>2,245</u>

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

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2013 \$'000	2012 \$'000
Leave obligations expected to be settled after 12 months	<u>19,378</u>	<u>15,041</u>

23 Non-current liabilities - Borrowings

	2013 \$'000	2012 \$'000
Unsecured		
Bank loans	346,080	311,588
Secured		
Bank loans	119,326	73,147
Finance lease liabilities (note 33)	37,375	39,129
Total non-current borrowings	<u>502,781</u>	<u>423,864</u>

(a) Secured liabilities and assets pledged as security

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

Bank loan	119,326	73,147
Finance lease liabilities	55,544	58,435
Total secured liabilities	<u>174,870</u>	<u>131,582</u>

The Group has a \$550 million syndicated debt facility which includes term, revolver and multi-option facility tranches. The facility is unsecured, non-amortising and an initial term of 4 years expiring in 31 May 2016.

The Group also has a 3 year non-revolving \$120 million syndicated term debt facility in relation to its Strategic Assets division expiring in June 2016. The facility is secured by fixed and floating charges over the assets in the Strategic Asset division including the Minto properties and units in MIPT. In addition Qube has guaranteed the obligations of the borrower under this facility.

The borrowing facilities require certain financial ratios to be maintained. The Group is currently in compliance with its covenants under these facilities.

Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2013 \$'000	2012 \$'000
Current		
<i>Floating charge</i>		
Cash and cash equivalents	153	4,938
Receivables	-	2
Total current assets pledged as security	<u>153</u>	<u>4,940</u>
Non-current		
<i>First mortgage</i>		
Investment in Moorebank Industrial Property Trust	155,489	69,926
Investment properties	54,500	45,400
	<u>209,989</u>	<u>115,326</u>
<i>Finance lease</i>		
Plant and equipment	47,575	60,146
Total non-current assets pledged as security	<u>257,564</u>	<u>175,472</u>
Total assets pledged as security	<u>257,717</u>	<u>180,412</u>

23 Non-current liabilities – Borrowings (continued)

(b) Fair value

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

	2013		2012	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
On-balance sheet				
<i>Non-traded financial liabilities</i>				
Bank loans	465,406	465,406	384,735	384,735
Finance lease liabilities	55,544	55,544	58,435	58,435
<i>Traded financial liabilities</i>				
Interest rate swaps	1,723	1,723	2,662	2,662
	522,673	522,673	445,832	445,832

(c) Risk exposures

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

24 Non-current liabilities - Deferred tax liabilities

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	12,943	10,008
Intangible assets	11,160	12,875
Financial assets at fair value through profit or loss	-	19
Other provisions	664	501
	24,767	23,403
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(22,622)	(22,811)
Net deferred tax liabilities	2,145	592
Deferred tax liabilities expected to be settled within 12 months	3,310	116
Deferred tax liabilities expected to be settled after more than 12 months	21,457	23,287
	24,767	23,403

24 Non-current liabilities – Deferred tax liabilities (continued)

Movements

	Plant and equipment \$'000	Intangible assets \$'000	Financial assets at fair value through profit and loss \$'000	Other provisions \$'000	Total \$'000
At 1 July 2011	-	-	26,861	-	26,861
(Charged)/credited					
- to profit or loss	9,267	(1,765)	(26,842)	(292)	(19,632)
- directly to equity	-	-	-	-	-
Acquisition of subsidiary	741	14,640	-	793	16,174
At 30 June 2012	10,008	12,875	19	501	23,403
(Charged)/credited					
- to profit or loss	2,935	(1,715)	(19)	163	1,364
- directly to equity	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-
At 30 June 2013	12,943	11,160	-	664	24,767

25 Non-current liabilities – Provisions

	2013 \$'000	2012 \$'000
Employee benefits	7,112	5,051
Onerous contract (Property lease)	1,896	4,118
	9,008	9,169

(a) Movements in provisions

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

	Onerous contract \$'000	Total \$'000
Carrying amount at start of year - 1 July 2012	4,118	4,118
Amounts transferred to current provision	(2,222)	(2,222)
Carrying amount at end of year - 30 June 2013	1,896	1,896

26 Contributed equity

	Notes	2013 Shares	2012 Shares	2013 \$'000	2012 \$'000
(a) Share capital					
Ordinary shares					
Fully paid	(c),(f)	928,965,547	921,407,185	1,031,260	1,019,583
Total contributed equity		928,965,547	921,407,185	1,031,260	1,019,583

(b) Movements in ordinary shares:

Date	Details	Notes	Number of shares (unless otherwise stated)	Issue price	\$'000
1 July 2011	Opening Balance		610,839,329	\$0.9559	583,907
30 August 2011	Qube Restructure - redemption of units	(f)	(610,839,329)	\$0.9559	(583,907)
30 August 2011	Qube Restructure - corporatisation	(f)	610,839,330	\$0.9559	583,959
31 August 2011	Qube Restructure - internalisation	(f)	23,094,688	\$1.3856	32,000
1 September 2011	Qube Restructure - acquisitions	(f)	164,093,576	\$1.4300	234,654
1 September 2011	2012 ELTIP Issue		3,900,000	\$1.3574	5,294
31 October 2011	Dividend reinvestment plan		1,105,303	\$1.2838	1,419
25 November 2011	KFM Performance fee payment		6,613,759	\$1.3167	8,708
16 December 2011	Placement		63,909,774	\$1.3300	85,000
4 January 2012	Purchase of Logistics NCI		15,848,214	\$1.3500	21,395
16 March 2012	Giacci acquisition		13,560,241	\$1.4749	20,000
19 March 2012	Victoria Dock acquisition		4,746,085	\$1.4749	7,000
4 April 2012	Dividend reinvestment plan		1,696,215	\$1.6799	2,849
29 June 2012	2013 ELTIP Issue		12,000,000	\$1.5135	18,162
	Less: Transaction costs arising on share issue		-		(1,225)
	Deferred tax credit recognised directly in equity		-		368
30 June 2012	Balance		921,407,185		1,019,583
17 October 2012	Dividend reinvestment plan		3,082,660	\$1.4385	4,434
14 November 2012	Managing Director 2013 ELTIP issue		2,000,000	\$1.5448	3,090
15 April 2013	Dividend reinvestment plan		2,475,702	\$1.6777	4,153
30 June 2013	Balance		928,965,547		1,031,260

26 Contributed equity (continued)

(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 are issued under the plan at a discount to the market price determined by the Board.

(e) Employee share scheme

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

(f) Qube Restructure

The corporatisation element of the Qube Restructure was completed on 30 August 2011, whereby Qube was restructured from a trust into a corporate entity through Qube acquiring 100% of the issued units of Qube Trust. The restructure resulted in Qube being established as the ultimate parent entity of the Qube Group as unitholders received one ordinary share in Qube for each unit held in Qube Trust.

The restructure was accounted for as a continuation of the Qube Trust and accordingly, the consolidated financial statements of Qube have been prepared as a continuation of the consolidated financial statements of the Qube Trust.

Consideration for the restructure is deemed to have been incurred by the legal subsidiary ('Qube Trust') in the form of equity instruments issued to the shareholders of the parent entity. The acquisition date fair value of the consideration transferred has been determined by reference to the carrying amount of Qube Trust's equity items at the date of the restructure.

(g) Capital risk management

The role of capital risk management at Qube is to support the maximisation of shareholder value. 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.

Qube monitors its capital through a range of measures including net debt to EBITDA, interest cover ratio and other leverage ratios. Compliance with external imposed covenants has been outlined in note 23.

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

- optimise the capital structure;
- provide sufficient financial flexibility to enable Qube to develop its businesses;
- maintain access to a broad range of funding sources; and
- raise funds in the most cost effective manner possible.

27 Reserves and retained earnings

	Notes	2013 \$'000	2012 \$'000
(a) Reserves			
Business combination reserve		28,436	28,436
Share-based payments		(23,731)	(23,026)
Transactions with non-controlling interests		(39,548)	(39,548)
		<u>(34,843)</u>	<u>(34,138)</u>
Movements:			
<i>Business combination reserve</i>			
Balance 1 July		28,436	28,436
Revaluation - subsidiary		-	-
Balance 30 June		<u>28,436</u>	<u>28,436</u>
<i>Share-based payments</i>			
Balance 1 July		(23,026)	-
ELTIP loans		(3,090)	(23,456)
Loans repaid		190	-
Employee share plan expense	42	2,195	430
Balance 30 June		<u>(23,731)</u>	<u>(23,026)</u>
<i>Transactions with non-controlling interests</i>			
Balance 1 July		(39,548)	(7,847)
Acquisition of additional ownership in K-NSS Pty Limited		-	(4,007)
Acquisition of additional ownership in KW Auto Logistics Pty Limited		-	(1,952)
Acquisition of options from management of subsidiaries		-	(8,751)
Acquisition of additional ownership in Qube Logistics		-	(16,991)
Balance 30 June		<u>(39,548)</u>	<u>(39,548)</u>
(b) Retained earnings			
Movements in retained earnings were as follows:			
Balance 1 July		27,903	63,299
Net profit/(loss) for the year		77,343	(2,525)
Dividends	29	(39,006)	(32,871)
Balance 30 June		<u>66,240</u>	<u>27,903</u>

(c) Nature and purpose of reserves

(i) Business combination reserve

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

(ii) Share-based payments

The share-based payments reserve is used to recognise the grant date fair value of shares issued to employees.

27 Reserves and retained earnings (continued)

(c) Nature and purpose of reserves (continued)

(iii) Transactions with non-controlling interests

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

In September 2011, Qube acquired an additional interest in K-NSS Pty Limited for \$14,496,000, representing its fair value at the time. The excess of Qube's consideration paid over the \$10,489,000 carrying value of the non-controlling interests in K-NSS Pty Limited has been booked as a debit to reserves.

In September 2011, Qube acquired an additional interest in KW Auto Logistics Pty Limited for \$4,957,000 representing its fair value at the time. The excess of Qube's consideration paid over the \$3,005,000 carrying value of the non-controlling interests in Qube Logistics has been booked as a debit to reserves.

In January 2012, Qube acquired an additional interest in Qube Logistics for \$21,395,000 representing its fair value at the time. The excess of Qube's consideration paid over the \$4,404,000 carrying value of the non-controlling interests in Qube Logistics has been booked as a debit to reserves.

In July and December 2011, Qube acquired the remaining non-controlling interests in Qube Logistics and Qube Ports & Bulk through the buyout of existing management option schemes. The consideration paid of \$8,751,000 represented the fair value at the time the agreements were entered into and has been booked as a debit to reserves.

28 Non-controlling interests

	2013 \$'000	2012 \$'000
Interest in:		
Share capital	104,290	102,509
Reserves	-	-
Retained earnings/(losses)	(24,864)	(24,617)
	<u>79,426</u>	<u>77,892</u>

On 8 June 2012, Qube acquired an additional 36.67% interest in the Moorebank Industrial Property Trust ('MIPT'). As a result of this transaction, the Group gained control of MIPT and subsequently consolidated the Trust. The carrying amount of the non-controlling interest relating to MIPT on the date of acquisition was \$77,927,000. A discount on acquisition (bargain purchase) of \$3,927,000 was recognised as a result of this transaction in the year ended 30 June 2012.

29 Dividends

2013
\$'000

2012
\$'000

(a) Ordinary shares

Final dividend for the year ended 30 June 2012 of 2.1 cents (2011 – 1.9 cents per unit) per fully paid share paid on 17 October 2012 (2011 – 31 October 2011)

Fully franked based on tax paid @ 30% **19,015** **15,162**

Interim dividend for the year ended 30 June 2013 of 2.2 cents (2012 – 2.0 cents per unit) per fully paid share paid 11 April 2013 (2012 – 4 April 2012)

Fully franked based on tax paid @ 30% **19,991** **17,709**
39,006 **32,871**

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

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 2.3 cents per fully paid ordinary share, (2012 – 2.1 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 October 2013 out of retained earnings at 30 June 2013, but not recognised as a liability at the end of the year, is

21,366 19,349

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

Consolidated		Parent entity	
2013	2012	2013	2012
\$'000	\$'000	\$'000	\$'000

Franking credits available for subsequent financial years based on a tax rate of 30% (2012 - 30%)

37,175	37,466	-	-
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The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of non-wholly owned subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the end of each reporting period, will be a reduction in the franking account.

30 Key management personnel disclosures

(a) Key management personnel compensation

	2013 \$	2012 \$
Short-term employee benefits	4,192,307	3,086,768
Post-employment benefits	107,318	95,977
Long-term benefits	33,038	52,111
Share-based payments	1,031,355	3,032,574
	5,364,018	6,267,430

Detailed remuneration disclosures are provided in the Remuneration Report on pages 12 to 26.

(b) Equity instrument disclosures relating to key management personnel

(i) Plan shares provided as remuneration

Details of Plan Shares provided as remuneration and the exercise of such Plan Shares, together with their terms and conditions can be found in the Remuneration Report on pages 12 to 26.

(ii) Legacy incentive plans provided as remuneration

Details of the notional shares provided as remuneration and the exercise of such notional shares, under the Shadow Equity Plan together with their terms and conditions can be found in the Remuneration Report on pages 12 to 26.

(iii) Shareholdings

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

2013 Name	Balance at the start of the year	Received during the year as part of ELTIP	Other changes during the year	Balance at the end of the year
Directors of Qube Holdings Limited				
Ordinary shares				
Chris Corrigan	15,993,553	-	-	15,993,553
Sam Kaplan	^A 35,431,696	-	^B (24,000,000)	^A 11,431,696
Maurice James	3,870,855	2,000,000	-	5,870,855
Allan Davies	2,595,795	-	-	2,595,795
Alan Miles	5,600	-	-	5,600
Peter Dexter	175,000	-	-	175,000
Robert Dove	-	-	-	-
Ross Burney	-	-	-	-
Yutaka Nakagawa	-	-	-	-
Aage Holm	-	-	-	-
Yoshiaki Kato	-	-	-	-
Simon Moore	100,000	-	-	100,000
Other key management personnel of the Group				
Ordinary shares				
Paul Digney	4,062,368	-	(1,099,795)	2,962,573
William Hara	1,000,000	-	-	1,000,000
Paul Lewis	1,210,000	-	(60,000)	1,150,000
Don Smithwick	3,801,854	-	(1,100,000)	2,701,854

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

^B Off-market transfers as part of a restructure of holdings.

30 Key management personnel disclosures (continued)

2012 Name	Balance at the start of the year	Received during the year as part of ELTIP	Other changes during the year	Balance at the end of the year
Directors of Qube Holdings Limited				
Ordinary shares				
Chris Corrigan	-	-	15,993,553	15,993,553
Sam Kaplan	-	-	^B 35,431,696	^A 35,431,696
Maurice James	-	2,000,000	1,870,855	3,870,855
Allan Davies	-	-	2,595,795	2,595,795
Peter Dexter	-	-	175,000	175,000
Robert Dove	-	-	-	-
Ross Burney	-	-	-	-
Yutaka Nakagawa	-	-	-	-
Aage Holm	-	-	-	-
Alan Miles	-	-	5,600	5,600
Simon Moore	-	-	100,000	100,000
Other key management personnel of the Group				
Ordinary shares				
Paul Digney	-	500,000	3,562,368	4,062,368
Paul Lewis	-	1,000,000	210,000	1,210,000
Don Smithwick	-	500,000	3,301,854	3,801,854

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

^B Off-market transfers as part of a restructure of holdings.

(c) Loans to key management personnel

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

(i) Aggregates for key management personnel

	Balance at the start of the year \$	Loans granted to new KMP \$	Loans granted during the year \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at the end of the year \$	Number in Group at the end of the year
2013	6,464,402	1,513,500	3,089,600	319,366	-	11,067,502	5
2012	-	-	6,464,402	145,905	-	6,464,402	4

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

2013 Name	Balance at the start of the year \$	Loans granted during the year \$	Interest paid/ payable for the year \$	Interest not charged \$	Balance at the end of the year \$	Highest indebtedness during the year \$
Maurice James*	2,715,000	3,089,600	130,000	-	5,804,600	5,804,600
Paul Digney*	1,557,152	-	81,866	-	1,557,152	1,557,152
William Hara*	^A 1,513,500	-	43,000	-	1,513,500	1,513,500
Paul Lewis*	1,435,500	-	43,000	-	1,435,500	1,435,500
Don Smithwick*	756,750	-	21,500	-	756,750	756,750

^A - Loan was issued as part of the 29 June 2012 ELTIP issue, prior to Mr Hara becoming a KMP.

30 Key management personnel disclosures (continued)

(c) Loans to key management personnel (continued)

	Balance at the start of the year \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at the end of the year \$	Highest indebtedness during the year \$
2012					
Name					
Maurice James*	-	78,000	-	2,715,000	2,715,000
Paul Digney*	-	48,405	-	1,557,152 ^A	1,587,256
Paul Lewis*	-	19,500	-	1,435,500 ^A	1,435,500
Don Smithwick*	-	-	-	756,750 ^A	756,750

^A – Includes FY 13 ELTIP issue on 29 June 2012.

* - ELTIP Loans

- **Interest rate:** The loan bears interest in an amount equal to the dividend paid on Plan Shares acquired with that loan, excluding any dividend characterised as a special dividend by the Board. Interest is payable within 3 business days of the date of payment of each dividend.
- **Maturity date:** The loan for any Plan Share must be repaid on the earlier of the date 3 months following the termination of engagement of the executive; the date 5 business days after the Plan Share is sold, the date 5 years and 3 months after making the loan and any earlier date as advised by the Board. The loan is a limited recourse loan with the amount to be repaid limited to the lesser of the principal advanced and the price realised on sale of the Plan Shares.

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

(d) Other transactions with key management personnel

(i) Legacy incentive plans – Equity Growth Bonus Plan (terminated as at 30 June 2012)

Paul Digney and Don Smithwick were both eligible senior executives entitled to a cash payment under the Equity Growth Bonus Plan which was terminated in June 2012. A final payment will be made in December 2013. The terms and conditions and bonus payments provided as remuneration can be found in the Remuneration Report on pages 12 to 26.

(ii) Purchase of Qube Logistics (Aust) Pty Limited shares

In January 2012, shares held by management in Qube Logistics (Aust) Pty Limited were bought by Qube. Paul Digney, MD of the Qube Logistics division held 2,284,087 shares. These shares were acquired by Qube at a price of \$1.81 per share, through the issue of 3,062,368 Qube shares at \$1.35 per share.

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

	2013 \$	2012 \$
Amounts recognised as revenue		
Director fees	97,900	90,000

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

	2013 \$	2012 \$
Non-current assets	800,402	800,402

31 Remuneration of auditors

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

	2013 \$	2012 \$
(a) PwC Australia		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	539,808	440,000
Other assurance services		
Audit of other subsidiary financial statements	-	8,900
Total remuneration for audit and other assurance services	<u>539,808</u>	<u>448,900</u>
<i>(ii) Taxation services</i>		
Tax compliance services	126,336	57,300
Tax advisory services	71,770	384,075
Total remuneration for taxation services	<u>198,106</u>	<u>441,375</u>
<i>(iii) Other services</i>		
Other services	10,000	-
Total remuneration of PwC Australia	<u>747,914</u>	<u>890,275</u>
(b) Non – PwC audit firms		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	46,350	75,000
<i>(ii) Other services</i>		
Other services	40,685	-
<i>(iii) Taxation services</i>		
Tax compliance services	6,500	-
Total remuneration of Non – PwC audit firms	<u>93,535</u>	<u>75,000</u>
Total auditors' remuneration	<u>841,449</u>	<u>965,275</u>

32 Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 June 2013 in respect of:

Guarantees

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to \$120,000,000 (2012 Nil) secured by registered mortgages over the freehold properties of the subsidiaries.

The parent entity has also provided unsecured bank guarantees amounting to \$7,270,000 (2012: Nil).

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

Qube's subsidiary Qube Logistics has unsecured bank guarantees amounting to \$4,892,000 (2012: \$6,612,668).

Qube's subsidiary Qube Ports & Bulk has unsecured bank guarantees amounting to \$4,249,000 (2012: \$3,983,466).

33 Commitments

(a) Capital commitments

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

	2013 \$'000	2012 \$'000
Payable:		
Within one year	52,215	91,927
Later than one year but not later than five years	-	-
Later than five years	-	-
	<u>52,215</u>	<u>91,927</u>

Included within the above balance is \$34,216,000 in capital expenditure for rolling stock replacement and repairs by Qube Logistics and \$15,016,000 in capital expenditure for crane, forklift and reachstacker replacement by Qube Ports & Bulk.

(b) Lease commitments: Group as lessee

(i) Non-cancellable operating leases

The Group has non-cancellable operating leases in relation to plant, equipment and motor vehicles expiring within one to eight 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 seventeen 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.

	2013 \$'000	2012 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	66,825	55,374
Later than one year but not later than five years	126,476	112,827
Later than five years	77,609	104,760
	<u>270,910</u>	<u>272,961</u>

Sub-lease payments

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:

	4,492	4,197
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There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2013 (2012: Nil)

(ii) Finance leases

The Group leases various plant and equipment with a carrying amount of \$47,575,000 (2012: \$60,146,000) under finance leases expiring within three to five years. Under the terms of the leases, the Group has the option to acquire the leased assets for an agreed residual value on expiry of the leases.

Commitments in relation to finance leases are payable as follows:

Within one year	21,699	23,009
Later than one year but not later than five years	41,015	44,235
Later than five years	-	6
Minimum lease payments	<u>62,714</u>	<u>67,250</u>
Future finance charges	(7,170)	(8,815)
Total lease liabilities	<u>55,544</u>	<u>58,435</u>

Representing lease liabilities:

Current (note 21)	18,169	19,306
Non-current (note 23)	37,375	39,129
	<u>55,544</u>	<u>58,435</u>

The present value of finance lease liabilities is as follows:

Within one year	18,169	19,306
Later than one year but not later than five years	37,375	39,124
Later than five years	-	5
Minimum lease payments	<u>55,544</u>	<u>58,435</u>

34 Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 36.

(c) Key management personnel

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

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2013 \$'000	2012 \$'000
<i>Stevedoring services</i>		
- received from associates	127	29,422
- received from other related entities	64,821	31,678
- paid to associates	45,337	40,119
<i>Logistics services</i>		
- received from associates	-	5,057
- received from other related entities	1,569	15
- paid to associates	-	1,352
- paid to other related entities	-	480
<i>Management fees earned</i>		
- from associates	98	103
<i>Management fees paid</i>		
- to related entities - (refer h below)	-	2,575
- to the trustee of a related trust	25	-
<i>Consulting fees earned</i>		
- from other related entities	-	162
<i>Rental income</i>		
- from associates	5,331	5,591
<i>Dividend and distribution income</i>		
- from associates	10,375	16,783

(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:

	2013 \$'000	2012 \$'000
<i>Current receivables (provision of services)</i>		
Associates and other related parties	4,997	267
<i>Current payables (payment for services)</i>		
Associates and other related parties	9,609	8,538

34 Related party transactions (continued)

(f) Loans to/from related parties

	2013 \$'000	2012 \$'000
<i>Loans from Qube Holdings Limited (ultimate Australian parent entity)</i>		
Beginning of the year	5,664	-
Loans granted to new KMP	1,514	-
Loans advanced	3,089	5,664
Interest charged	259	97
Interest paid	(259)	(97)
End of year	<u>10,267</u>	<u>5,664</u>
<i>Loans from Qube Logistics (Aust) Pty Limited</i>		
Beginning of the year	800	-
Loans advanced	-	800
Interest charged	60	48
Interest paid	(60)	(48)
End of year	<u>800</u>	<u>800</u>

Loan repayments of Nil (2012:\$1,500,000) were received from associated entities during the year. Loans to associates are considered part of the Group's investment in associates.

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

(g) Terms and conditions

Transactions relating to dividends and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

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

(h) Responsible Entity Fees

Up until 31 August 2011, Qube was a managed investment scheme. Under the terms of Qube's Constitution, the Responsible Entity was entitled to receive a minimum annual fee of \$82,500 (including GST) plus a gross asset fee based on a percentage of the gross asset value of Qube.

Kaplan Funds Management Pty Limited ("Manager") was appointed as investment manager for Qube on the 17 November 2006, through an investment management agreement with the Responsible Entity.

Under the terms of Qube's Constitution, the Manager was entitled to receive a management fee based on a percentage of the gross asset values of listed infrastructure, utility and other investments, and a performance fee for a return above the benchmark performance of Qube's portfolio.

The Manager was also at its option, subject to compliance with any applicable laws and the ASX Listing Rules, able to elect to receive the investment management fee or the performance fee in units.

The transactions during the year and amounts payable at year end between Qube and the Responsible Entity and Manager were as follows:

Responsible Entity fees to The Trust Company (RE Services) Limited	-	262
Management fees to Kaplan Funds Management Pty Limited	<u>-</u>	<u>2,312</u>
	<u>-</u>	<u>2,574</u>

35 Business combination

(a) Macarthur Intermodal Shipping Terminal Pty Limited (MIST) acquisition

On 22 August 2012, the Group acquired 100% of the issued share capital of MIST and its operating subsidiaries, (the 'ITG Group') for \$49.3 million excluding stamp duty and associated transaction costs. The acquisition is an important element in Qube's expansion into the provision of logistics solutions for rural commodities.

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

	\$'000
Purchase consideration	
Cash paid	49,318
Contingent consideration	-
Total purchase consideration	<u>49,318</u>

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

	Fair value \$'000
Cash and cash equivalents	2,186
Trade & other receivables	6,583
Inventories	2,997
Plant and equipment	32,164
Intangible assets	800
Trade & other payables	(4,941)
Provision for employee benefits	(1,310)
Finance lease liabilities	<u>(1,361)</u>
Net identified assets acquired	37,118
Add: goodwill	<u>12,200</u>
Net assets acquired	<u>49,318</u>

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

(i) Acquired land

In addition to the purchase of the MIST business as noted above, Qube purchased freehold land and improvements for \$44,500,000. Stamp duty costs of \$2,433,000 have also been capitalised into the value of the land in accordance with AASB 116, *Property, Plant & Equipment*.

(ii) Acquisition related costs

Acquisition related costs of \$822,000 are included in professional fees in the profit or loss.

(iii) Acquired receivables

The fair value of trade and other receivables is \$6,583,000 and includes trade receivables with a fair value of \$5,191,000 which are expected to be collectible.

(iv) Revenue and profit contribution

Operationally the business assets acquired have been integrated within Qube Logistics' existing NSW business almost immediately. Therefore it is impracticable and unreliable to report separate revenue and profit contributions since the acquisition of MIST or from the commencement of the year.

(b) Purchase consideration - cash outflow

	2013 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	49,318
Less: Balances acquired	
Cash	2,186
Bank overdraft	-
	<u>2,186</u>
Outflow of cash - investing activities	<u>47,132</u>

36 Subsidiaries and transactions with non-controlling interests

(a) Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares/units	Equity holding	
			2013 %	2012 %
Qube Holdings Limited (formerly known as Qube Logistics Holdings Limited) *	Australia	Ordinary		
Qube Terminals Pty Ltd*	Australia	Ordinary	100	100
Qube Property Management Services Pty Ltd*	Australia	Ordinary	100	100
Qube RE Services Pty Ltd	Australia	Ordinary	100	100
Qube Properties Pty Ltd	Australia	Ordinary	100	100
Qube Logistics Trust*	Australia	Ordinary	100	100
Qube Equity Ltd (formerly Kaplan Equity Ltd)*	Australia	Ordinary	100	100
KFM Asian Logistics 1 Pty Ltd*	Australia	Ordinary	100	100
KFM Europe Logistics Pty Ltd*	Australia	Ordinary	100	100
KIL Property Investments Pty Ltd	Australia	Ordinary	100	100
KFM Property Logistics 1 Pty Ltd	Australia	Ordinary	100	100
Minto Properties Pty Ltd	Australia	Ordinary	100	100
Moorebank Industrial Property Trust	Australia	Ordinary	66.67	66.67
KW Auto Logistics Pty Ltd*	Australia	Ordinary	100	100
K-NSS Pty Ltd*	Australia	Ordinary	100	100
Oversea & General Stevedoring Co Pty Ltd*	Australia	Ordinary	100	100
K-AA Terminals Pty Ltd*	Australia	Ordinary	100	100
P&O Wharf Management Pty Ltd*	Australia	Ordinary	100	100
Qube Ports & Bulk:				
K-POAGS Pty Ltd*	Australia	Ordinary	100	100
KFM Logistics Investments 2 Pty Ltd*	Australia	Ordinary	100	100
Qube Ports Pty Ltd*	Australia	Ordinary	100	100
Qube Ports & Bulk subsidiaries:				
Qube Ports (No 1) Pty Ltd*	Australia	Ordinary	100	100
Qube Bulk Pty Ltd*	Australia	Ordinary	100	100
Continental Freight Services (Aust.) Pty. Ltd*	Australia	Ordinary	100	100
Markhaven Pty. Ltd*	Australia	Ordinary	100	100
Qube Defence Logistics Pty Ltd*	Australia	Ordinary	100	100
Stonecrest Enterprises Pty Ltd*	Australia	Ordinary	100	100
Giacci Holdings Pty Ltd*	Australia	Ordinary	100	100
Giacci Port Services Pty Ltd*	Australia	Ordinary	100	100
Giacci Limestone Pty Ltd*	Australia	Ordinary	100	100
Giacci Group Operations Pty Ltd*	Australia	Ordinary	100	100
Giacci SA Pty Ltd*	Australia	Ordinary	100	100
Giacci Bros. Pty Ltd*	Australia	Ordinary	100	100
Giacci Management Services Pty Ltd*	Australia	Ordinary	100	100
Giacci NT Pty Ltd*	Australia	Ordinary	100	100
Giacci Contracting Pty Ltd*	Australia	Ordinary	100	100
Qube Logistics:				
K-POTA Pty Ltd*	Australia	Ordinary	100	100
Qube Logistics (Aust) Pty Ltd*	Australia	Ordinary	100	100
Qube Logistics subsidiaries:				
Qube Logistics (Qld) Pty Ltd *	Australia	Ordinary	100	100
Qube Logistics (Global) Pty Ltd *	Australia	Ordinary	100	100
POTA Global Management (NZ) Limited	New Zealand	Ordinary	100	100
Qube Logistics (SB) Pty Ltd *	Australia	Ordinary	100	100
Qube Logistics (NSW) Pty Ltd*	Australia	Ordinary	100	100
Qube Logistics (QldT) Pty Ltd*	Australia	Ordinary	100	100

36 Subsidiaries and transactions with non-controlling interests (continued)

(a) Significant investments in subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2013 %	2012 %
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	-
Independent Railways of Australia Pty Ltd *	Australia	Ordinary	100	-
Independent Railroad of Australia Pty Ltd *	Australia	Ordinary	100	-
Rail Equipment Leasing Pty Ltd *	Australia	Ordinary	100	-
Bowport All Roads Transport Pty Ltd *	Australia	Ordinary	100	-
Indy Equipment Pty Ltd *	Australia	Ordinary	100	-

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

(b) Transactions with non-controlling interests

The effect of changes in the ownership interest of Qube Logistics, Qube Ports & Bulk, K-NSS Pty Limited and KW Auto Logistics Pty Limited on the equity attributable to owners of Qube during the 30 June 2012 financial year is summarised as follows:

	2013 \$'000	2012 \$'000
Carrying amount of non-controlling interests acquired	-	17,898
Consideration paid to non-controlling interests	-	(49,599)
Excess consideration paid recognised in the transactions with non-controlling interests reserve within equity	-	(31,701)

Further detail in relation to each transaction can be found in note 27(c).

37 Deed of cross guarantee

The parent entity and the companies noted in note 36(a) are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by the parent entity, they also represent the 'extended closed group'.

37 Deed of cross guarantee (continued)

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

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2013 of the closed group consisting of the parent entity and the entities listed in note 36(a).

	2013 \$'000	2012 \$'000
Consolidated income statement		
Revenue from continuing operations	1,026,638	776,818
Other income	32,559	151
Direct transport and logistics costs	(297,965)	(251,824)
Repairs and maintenance costs	(54,850)	(34,569)
Employee benefits expense	(373,202)	(289,545)
Fuel, oil and electricity costs	(83,115)	(52,246)
Occupancy and property costs	(53,280)	(46,183)
Depreciation and amortisation expense	(58,562)	(35,803)
Professional fees	(8,520)	(9,394)
Refinance costs	-	(7,419)
Qube Restructure termination payment	-	(40,000)
Trust related expenses	-	(274)
Other expenses	(19,161)	(11,741)
Total expenses	(948,655)	(778,998)
Finance income	2,453	4,582
Finance costs	(31,321)	(11,926)
Net finance costs	(28,868)	(7,344)
Share of net profit of associates accounted for using the equity method	15,536	12,792
Profit before income tax	97,210	3,419
Income tax expense/ (benefit)*	20,749	(603)
Profit for the year	76,461	4,022
Consolidated statement of comprehensive income		
Profit for the year	76,461	4,022
Other comprehensive income net of tax:		
Items that may be reclassified to profit or loss	-	-
Items that will not be reclassified to profit or loss	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	76,461	4,022
Total comprehensive income attributable to:		
Owners of Qube	76,461	4,022
Non-controlling interests	-	-
	76,461	4,022
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	36,256	65,105
Profit for the year	76,461	4,022
Dividends provided for or paid	(39,006)	(32,871)
Retained earnings at the end of the financial year	73,711	36,256

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

37 Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2013 of the closed group consisting of the parent entity and the entities listed in note 36(a).

	2013 \$'000	2012 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	56,118	112,634
Trade and other receivables	164,304	141,819
Inventories	3,511	3,604
Current tax receivable	-	1,229
Total current assets	<u>223,933</u>	<u>259,286</u>
Non-current assets		
Trade and other receivables	2,649	4,002
Other financial assets	107,774	152,057
Investments accounted for using the equity method	197,424	182,763
Financial assets at fair value through profit or loss	840	996
Property, plant and equipment	513,620	362,933
Intangible assets	599,206	593,361
Other	728	1,396
Total non-current assets	<u>1,422,241</u>	<u>1,297,508</u>
Total assets	<u>1,646,174</u>	<u>1,556,794</u>
LIABILITIES		
Current liabilities		
Trade and other payables	98,079	46,685
Borrowings	18,169	16,619
Derivative financial instruments	13	-
Current tax payable	7,898	-
Provisions	52,241	37,877
Total current liabilities	<u>176,400</u>	<u>101,181</u>
Non-current liabilities		
Trade and other payables	2,668	17,710
Borrowings	383,455	401,584
Derivative financial instruments	1,274	1,436
Deferred tax liabilities	3,242	4,013
Provisions	9,008	9,169
Total non-current liabilities	<u>399,647</u>	<u>433,912</u>
Total liabilities	<u>576,047</u>	<u>535,093</u>
Net assets	<u>1,070,127</u>	<u>1,021,701</u>
EQUITY		
Contributed equity	1,031,260	1,019,583
Reserves	(34,844)	(34,138)
Retained earnings	73,711	36,256
Capital and reserves attributable to owners of Qube Holdings Limited	<u>1,070,127</u>	<u>1,021,701</u>
Non-controlling interests	-	-
Total equity	<u>1,070,127</u>	<u>1,021,701</u>

38 Investments in associates

	2013 \$'000	2012 \$'000
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	182,763	-
Reclassification from financial assets at fair value through profit and loss	-	221,342
Additional investment	20,000	33,812
Share of profits after income tax	15,536	16,431
Share of investment property revaluation loss	-	(3,196)
Dividends received/receivable	(10,375)	(15,701)
Impairment losses recognised	(10,500)	-
Reclassification to subsidiary	-	(69,925)
Carrying amount at the end of the financial year	<u>197,424</u>	<u>182,763</u>

Impairment loss recognised - Northern Stevedoring Services

Qube has recognised an impairment charge against the carrying value of its investment in NSS of \$10.5 million. The impairment reflects reduced medium-long term earnings expectations for NSS from the loss of a major contract.

The recoverable amount of NSS was determined based on a value-in-use calculation using a post-tax discount rate of 10.6% and cash flow projections based on financial budgets and forecasts covering a three year period with a terminal value.

(b) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Company's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
2013					
Australian Amalgamated Terminals Pty Ltd***	50%	58,361	57,863	38,194	9,522
Northern Stevedoring Services Pty Ltd	50%	29,599	20,103	44,752	5,191
Prixcar Services Pty Ltd*	25%	34,091	21	81	405
Mackenzie Hillebrand	50%	5,162	2,845	12,427	418
		<u>127,213</u>	<u>80,832</u>	<u>95,454</u>	<u>15,536</u>
2012					
Australian Amalgamated Terminals Pty Ltd***	50%	57,691	56,715	30,177	7,094
Northern Stevedoring Services Pty Ltd	50%	24,646	20,594	28,289	4,072
Prixcar Services Pty Ltd*	25%	14,188	2	136	1,353
Moorebank Industrial Property Trust**	30%	-	-	-	443
Mackenzie Hillebrand	50%	4,582	2,694	11,586	273
		<u>101,107</u>	<u>80,005</u>	<u>70,188</u>	<u>13,235</u>

* Prixcar investment held through Qube's 50% interest in "K" Line Auto Logistics Pty Ltd

** Moorebank was reclassified to a subsidiary holding as of 8 June 2012, when control was effectively gained.

*** Included within Australian Amalgamated Terminal's Liabilities is \$53 million (2012:\$53 million) in shareholder loans owed to Qube.

All of the above associates are incorporated in Australia.

(c) Contingent liabilities of associates

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

39 Events occurring after the reporting period

Except as outlined in these consolidated financial statements, there have been no other events that have occurred subsequent to 30 June 2013 and up to the date of this report that have had a material impact on Qube's financial performance or position.

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

	2013 \$'000	2012 \$'000
Profit /(loss) for the year	81,070	(1,470)
Depreciation and amortisation	58,975	36,215
Non-cash employee benefits expense - share-based payments	2,195	9,043
Amounts credited to provision against assets	-	367
Fair value adjustment to investment property	(9,100)	4,182
Impairment of assessment in associate	10,500	-
Gain realised on acquisition of subsidiary	-	(3,927)
Gain from de-recognition of contingent consideration payable	(7,956)	-
Termination fee settled by share issue	-	40,708
Profit on sale of property plant and equipment	(527)	(412)
Share of profits of associates (net of dividends received)	(4,743)	2,740
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase) in trade debtors and other receivables	(15,606)	(19,755)
Decrease (increase) in inventories	3,005	(293)
(Increase) decrease in financial instruments at fair value through profit or loss	(175)	9,195
Decrease (increase) in deferred tax assets	1,828	(9,295)
(Decrease) increase in trade creditors	(16,520)	6,629
Increase (decrease) in other operating liabilities	16,860	4,606
Increase (decrease) in provision for income taxes payable	16,610	(10,057)
(Decrease) in deferred tax liabilities	(745)	(2,263)
Increase (decrease) in other provisions	9,148	(13,044)
Net cash inflow from operating activities	<u>144,819</u>	<u>53,169</u>

(a) Non-cash investing and financing items

	2013 \$'000	2012 \$'000
The following items were financed through the issue of Qube shares:		
K-POAG's acquisition	-	166,000
ELTIP issues	3,090	23,456
Qube Restructure termination payment	-	32,000
Performance Fee	-	8,708
Dividend reinvestment plan	8,587	4,268
Westgate acquisition (part of consideration)	-	7,000
Giacci acquisition (part of consideration)	-	20,000
	<u>11,677</u>	<u>261,432</u>

41 Earnings per share

	2013 Cents	2012 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	<u>8.4</u>	<u>(0.3)</u>
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>8.4</u>	<u>(0.3)</u>
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	<u>8.4</u>	<u>(0.3)</u>
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>8.4</u>	<u>(0.3)</u>
(c) Reconciliations of earnings used in calculating earnings per share		
	2013 \$'000	2012 \$'000
<i>Basic and diluted earnings per share</i>		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	<u>77,343</u>	<u>(2,525)</u>
(d) Weighted average number of shares used as the denominator		
	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	925,334,074	821,614,733

42 Share-based payments

(a) Executive long term incentive plan (ELTIP)

Qube has established the ELTIP to assist it to engage and retain the services of senior staff and provide an incentive to promote the businesses of Qube, the terms of which are as follows:

Under the ELTIP, Qube provides an interest-bearing loan to senior executives to finance the purchase of Plan Shares, which vest progressively subject to service and performance conditions determined by the Board.

Qube does not intend to make further issuances under the ELTIP. Refer Remuneration Report on pages 12 to 26 for further information.

Participation	Only those executives invited by the Board to apply are eligible to participate.
Instrument	Plan Shares (ordinary shares with vesting subject to performance conditions)
Issue price	The issue price for Plan Shares acquired is the volume weighted average price (VWAP) at which shares trade on ASX over the 20 trading days prior to the date of issue of the shares.
Performance period	Maximum of 5 years and 3 months after issue date or any earlier date set by the Board at the time of offer of the Plan Shares.
Performance conditions	The performance conditions relate to financial performance and continued engagement with Qube. Presently, the financial performance criteria are based on improvements in the performance and profitability of the company as measured by a combination of compound annual shareholder return and earnings per share growth. There is an additional condition requiring continued employment with Qube.
Method for assessing performance	Vesting of the Plan Shares is typically subject to Qube achieving performance conditions set by the Board linked to shareholder return. For the ELTIP award made for the year ended 30 June 2013 the performance hurdles comprise: a) a compound annual shareholder return (ASR), including share price growth and dividends of 10%, b) a compound annual increase in the underlying earnings per share of 11%.
Vesting criteria	The Plan Shares vest in 3 tranches. Once vested, the Plan Shares may be traded subject only to the repayment of the loan referable to those Plan Shares and Qube's Securities Trading Policy.
Lapsing and forfeiture	Plan Shares will be forfeited, or sold by the company to repay the loan if performance hurdles are not achieved, or the executive is no longer employed by Qube.
Dividends	A participant in the ELTIP is entitled to receive any dividend or distribution paid in respect of Plan Shares.
Interest	The loan will bear interest in an amount equal to the dividend paid on Plan Shares acquired with that loan. Interest is payable within 3 business days of payment of dividends. Interest is not payable in respect of any dividend characterised as a special dividend by the Board being a dividend derived other than from the ordinary course of business.
Expiry date	No loan in relation to the Plan Shares is repayable until the earlier of: a) 2 years after the final vesting date for the relevant ELTIP issue b) settlement of the sale of the ELTIP shares, and c) 3 months after written notice by the company to repay the loan (in respect of vested shares). The loan is a limited recourse loan with the amount to be repaid limited to the lesser of the principal advanced and the price realised on sale of the Plan Shares.

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

42 Share-based payments (continued)

(a) Executive long term incentive plan (ELTIP) (continued)

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

Grant Date	Last possible vesting Date	Issue Price (\$)	Balance at start of year (number)	Granted during the year (number)	Vested/ transferable during the year (number)	Forfeited during the year (number)	Balance at end of year (number)	Vested and transferable at end of the year (number)
1 Sept 2011*	30 Nov 2014	1.3575	3,900,000	-	1,300,000	-	3,900,000	1,300,000
29 June 2012	30 Nov 2015	1.5135	12,000,000	-	3,956,666	(130,000)	11,875,000	3,956,666
14 Nov 2012	30 Nov 2015	1.5448	-	2,000,000	666,666	-	2,000,000	666,666

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

Fair value of Plan Shares granted:

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

The model inputs for Plan Shares expensed during the year ended 30 June 2013 included:

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

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

42 Share-based payments (continued)

(a) Executive long term incentive plan (ELTIP) (continued)

Fair value of Plan Shares granted: (continued)

	ASR condition Plan Shares (Tranche 1) 29 June 2013	ASR condition Plan Shares (Tranche 2) 29 June 2014	ASR condition Plan Shares (Tranche 3) 29 June 2015	EPS condition Plan Shares (Tranche 1) 29 June 2013	EPS condition Plan Shares (Tranche 2) 29 June 2014	EPS condition Plan Shares (Tranche 3) 29 June 2015
Vesting date	14 November 2012	14 November 2012	14 November 2012	14 November 2012	14 November 2012	14 November 2012
Grant date	2012	2012	2012	2012	2012	2012
ASR Measurement price (\$)	1.51	1.51	1.51	1.51	1.51	1.51
VWAP at Grant Date (\$)	1.54	1.54	1.54	1.54	1.54	1.54
Exercise Price (Plan Loan) (\$)	1.54	1.54	1.54	1.54	1.54	1.54
Volatility of share (%)	30%	30%	30%	30%	30%	30%
Dividend yield in year one	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Dividend yield in year two	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Dividend yield in year three	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Risk free rate (%)	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Probability of achievement	100%	100%	100%	80%	70%	60%
Expected life (years)	0.6	1.6	2.6	1.7	2.2	2.7
Plan Share value at grant date (\$)	0.20	0.26	0.28	0.19	0.18	0.17

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

(b) Shadow Equity Plan

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

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

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

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

Grant Date	Expiry Date	Issue Price (\$)	Balance at start of year (number)	Notional shares granted during the year (number)	Notional shares vested/ exercised during the year (number)	Notional shares forfeited during the year (number)	Balance at end of year (number)	Notional shares expensed at end of the year (number)
15 December 2011	31 December 2014	1.35	3,081,740	-	-	(10,000)	3,071,470	952,913

42 Share-based payments (continued)

(b) Shadow Equity Plan (continued)

Fair value of notional shares granted:

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

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

- (a) share price at grant date: \$1.35
- (b) share price at year end: \$1.665
- (c) expected remaining life (years): 1.5 years
- (d) expected growth rate (including dividends): 10%
- (e) discount rate: 10.3%

(c) Equity Growth Bonus Plan

Under the terms of this scheme, eligible senior executives were entitled to a cash bonus if the equity value of Qube Logistics or Qube Ports & Bulk (as applicable) exceeded a valuation hurdle on or prior to 31 December 2014.

For each business, the cash bonus was calculated based on 2% of the expected increase in the equity value from a base valuation at the time the relevant scheme was approved to the relevant hurdle valuation.

Fair value of cash bonus payments:

As a result of the decision to terminate the plan in the 2012 financial year, a payment of \$5.2 million to Qube Logistics management and \$2.6 million to Qube Ports & Bulk management was agreed. The value was based on the expected future payment under the scheme, adjusted to reflect the risk of not achieving the hurdle, and the time expected to achieve the hurdle.

The eligible participants received a termination payment in the form of a cash bonus of 50% of the total amount less applicable tax, in December 2012 with the remaining 50% due in December 2013. (Refer to note 20).

(d) Expenses arising from share-based payment transactions

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

	2013 \$'000	2012 \$'000
Equity based compensation – expensed		
Executive long term incentive plan	2,195	430
<i>Legacy schemes:</i>		
Shadow Equity plan	1,717	813
Equity Growth Bonus plan	-	7,800
	3,912	9,043

43 Financial risk management

Qube is exposed to credit risk, market risk (interest rate risk, foreign exchange risk and price risk) and liquidity risk arising from the financial instruments it holds.

The board of directors is tasked with the risk management process for Qube. The risk management process involves a detailed analysis of cashflows 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 cashflows to meet debt obligations and capital expenditure, as well as any change in strategy that changes the underlying risk profile.

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

(a) Credit risk

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

Qube is exposed to credit risk as a result of its deposits with banks and investments in fixed interest securities and money market securities. Qube mitigates credit risk arising from these investments by investing only in term deposits and money market securities issued by the major domestic banks. In relation to trade receivables, where possible, Qube only transacts with credit worthy customers and then continually reviews the outstanding amounts for impairment as set out in note 2(l).

Other than as set out in note 10 no financial assets are impaired nor past due but not impaired at 30 June 2013 (Nil 30 June 2012).

There were no significant concentrations of credit risk to counterparties at 30 June 2013 or 30 June 2012.

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

	2013 \$'000	2012 \$'000
Cash and cash equivalents		
AA-	57,729	118,565

(b) Market risk

(i) Interest rate risk

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 interest rate risk relates primarily to investments in money market securities, term deposits and borrowings. Qube's exposure to interest rate risk is set out in the following table:

	2013 \$'000	2012 \$'000
Bank loans	466,500	384,818
Cash	(57,729)	(118,565)
Net exposure to cash flow interest rate risk	408,771	266,253

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

The sensitivities of Qube's monetary assets and liabilities to interest rate risk is summarised in (c) below. The analysis is based on the assumption that interest rates changed +/-100 basis points (2012 - +/- 100 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of money market securities, interest rate securities, term deposits with banks and borrowings.

(ii) Foreign exchange risk

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

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

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

The sensitivities of the Group's monetary assets and liabilities to foreign exchange risk is summarised in (c). The analysis is based on the assumption that the Australian dollar weakened/strengthened by 5% (2012 - 5%) against the US dollar. The impact arises from Qube's purchase of US dollar assets mainly to fund equipment purchases.

43 Financial risk management (continued)

(c) Sensitivity analysis

The following table summarises the sensitivity of Qube's after tax operating profit and net assets attributable to shareholders to interest rate risk and other price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of Qube's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which Qube invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Interest rate risk				Foreign exchange risk (USD)			
	-100 bps		+100 bps		-5%		+5%	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2013								
Total increase/ (decrease)	1,267	1,267	(1,509)	(1,509)	836	836	(757)	(757)
	Interest rate risk				Foreign exchange risk (USD)			
	-100 bps		+100 bps		-5%		+5%	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2012								
Total increase/ (decrease)	1,385	1,385	(1,385)	(1,385)	(30)	(30)	216	216

(d) Liquidity and cash flow 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. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and undrawn borrowing facilities and by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Set out below is a listing of undrawn facilities that the Group has as 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:

	2013 \$'000	2012 \$'000
Floating rate		
- Expiring within one year	-	-
- Expiring beyond one year*	196,030	236,811
	196,030	236,811

*- Undrawn facilities adjusted for \$7,270,000 in bank guarantees (2012: \$1,601,000 letters of credit) drawn under the working capital facility.

Subject to the continuance of satisfactory covenant compliance, the bank loan facilities may be drawn down at any time and have an average maturity of 3 years (2012: 4 years).

Maturity of financial liabilities

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

	Less than 1 month	1-6 months	6-12 months	Greater than 1 year
	\$'000	\$'000	\$'000	\$'000
Consolidated				
As at 30 June 2013				
Trade and other payables	96,337	-	-	5,307
Provisions	-	-	52,764	9,238
Financial liabilities at fair value through profit or loss	-	426	184	2,003
Borrowings	-	-	20,514	508,700
Total financial liabilities	96,337	426	73,462	525,248

43 Financial risk management (continued)

Consolidated	Less than 1	1 - 6	6-12	Greater
As at 30 June 2012	month	months	months	than 1
	\$'000	\$'000	\$'000	year
	\$'000	\$'000	\$'000	\$'000
Trade and other payables	94,505	-	-	18,523
Provisions	-	-	38,226	9,169
Financial liabilities at fair value through profit or loss	-	2,662	-	-
Borrowings	-	-	19,306	423,864
Total financial liabilities	94,505	2,662	57,532	451,556

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amounts of all Qube's financial assets and financial liabilities at the end of each reporting period approximated their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

Qube values its investments in accordance with the accounting policies set out in note 2(n). For the majority of its investments, Qube relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by Qube is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When Qube holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

43 Financial risk management (continued)

(e) Fair value estimation (continued)

(ii) Fair value in an inactive or unquoted market (continued)

The fair value of derivatives that are not exchange traded is estimated at the amount that Qube would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions Qube holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Qube for similar financial instruments.

(f) Fair value hierarchy

AASB 7 *Financial Instrument Disclosures* requires Qube to disclose fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Board. The Board considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out Qube's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2013:

Consolidated

As at 30 June 2013

Assets

Financial assets at fair value through profit or loss

Equity securities

Total assets

Liabilities

Derivative instruments

Total liabilities

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Equity securities	840	-	-	840
Total assets	840	-	-	840
Derivative instruments	-	1,722	-	1,722
Total liabilities	-	1,722	-	1,722

43 Financial risk management (continued)

(f) Fair value hierarchy (continued)

Consolidated

As at 30 June 2012

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Financial assets at fair value through profit or loss				
Equity securities	996	-	-	996
Total assets	<u>996</u>	<u>-</u>	<u>-</u>	<u>996</u>
Liabilities				
Derivative instruments	-	2,662	-	2,662
Total liabilities	<u>-</u>	<u>2,662</u>	<u>-</u>	<u>2,662</u>

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities.

The fair value of financial instruments that are not traded in an active market (for example over the counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value the instrument are observable, the instrument is included in level 2.

44 Parent entity financial information

(a) Summary financial information

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

	2013 \$'000	2012 \$'000
Balance sheet		
Current assets	16,997	76,744
Total assets	1,545,710	1,453,430
 Current liabilities	 4,472	 3,871
Total liabilities	351,926	315,490
 <i>Shareholders' equity</i>		
Issued capital	1,174,557	1,162,880
Reserves		
Share-based payments	(24,979)	(23,026)
Retained earnings/(losses)	44,206	(1,914)
	<u>1,193,784</u>	<u>1,137,940</u>
 Profit or loss for the year	 <u>86,268</u>	 <u>31,111</u>
Total comprehensive income	<u>86,268</u>	<u>31,111</u>

(b) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to \$120,000,000 (2012 \$Nil) secured by registered mortgages over the freehold properties of the subsidiaries.

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 30 to 95 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 2013 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 37.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Sam Kaplan
Director

SYDNEY
22 August 2013



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

Report on the financial report

We have audited the accompanying financial report of Qube Holdings Limited (the company), which comprises the consolidated balance sheet as at 30 June 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Qube Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a)(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of Qube Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a)(i).

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 26 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Qube Holdings Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', with a long horizontal flourish extending to the right.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'N R McConnell', with a long horizontal flourish extending to the right.

N R McConnell
Partner

Sydney
22 August 2013