MOOREBANK INTERMODAL COMPANY

2019 ANNUAL REPORT

MOOREBANK INTERMODAL COMPANY

Putting more freight on rail

MOOREBANK
INTERMODAL
COMPANY

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ABOUT

Moorebank Intermodal Company

The Australian Government established Moorebank Intermodal Company (MIC) on 13 December 2012. Its purpose is to oversee the development and future operation of the Moorebank Intermodal Terminal (the terminal) in Sydney's south-west as a vital logistics hub with a rail link to Port Botany and the Southern Sydney freight line. This is a nationally significant infrastructure project to boost Australia's productivity. A board was appointed in December 2012, and MIC started operating in February 2013.

MIC is a Government Business Enterprise (GBE), incorporated under the *Corporations Act 2001* and operating under the *Public Governance, Performance and Accountability Act 2013*. The organisation is a wholly owned Australian Government Company represented by two shareholder ministers: the Minister for Population, Cities and Urban Infrastructure (being the Responsible Minister), The Hon Alan Tudge MP and the Minister for Finance, Senator The Hon Mathias Cormann. MIC operates at arms-length from Government and with a commercial focus. This has given MIC the flexibility to work with operators and other partners, particularly during procurement of the terminal, to maximise the opportunities for private sector involvement and innovation at the terminal.

Moorebank Logistics Park

Moorebank Logistics Park is a nationally significant infrastructure development that will transform the way containerised freight moves through Port Botany and deliver a faster, simpler and more cost-effective service for business and consumers.

Moorebank Logistics Park is being developed as a precinct comprising land owned by the Commonwealth of Australia and adjacent land owned by Qube Holdings.

The development will comprise:

- an import export (IMEX) terminal that will accommodate 600-metre trains with the capacity to handle up to 1.05 million twenty-foot equivalent units (TEU) a year of international containerised freight;
- an interstate terminal that will accommodate 1.8 kilometres long trains with the capacity to handle up to 500,000 TEU of interstate and regional freight per year;
- up to 850,000 square metres of high specification warehousing where containers can be unpacked before delivery of their contents to its final destinations;
- auxiliary services including retail and service offerings;
- a rail connection to the Southern Sydney Freight Line (SSFL), which will provide direct access to the facility; and
- substantial biodiversity offset areas protected from development, including vegetation on the east bank of the Georges River.

MIC'S OBJECTIVES, VISION & VALUES

Purpose

Our purpose is to oversee the development and operation of an intermodal terminal at Moorebank in south-west Sydney which will increase the transport of container freight by rail, providing substantial economic and environmental benefits to the people of Australia.

Objectives

MIC's objectives are to:

- facilitate the development of an intermodal freight terminal at Moorebank, including an IMEX facility, an interstate freight terminal capable of catering for 1.8 kilometre trains and ancillary facilities, by optimising private sector investment and innovation in the development, construction and operation of the intermodal terminal;
- facilitate the operation of a flexible and commercially viable common user facility, which shall be available on reasonably comparable terms to all rail operators and other terminal users;
- ensure the intermodal terminals operate with the aim of improving national productivity through an efficient supply chain, increased freight capacity and better rail utilisation;
- operate on commercially sound principles, having regard to the Australian Government's long-term intention to sell its interest in the Company;
- upon notification by the Commonwealth Shareholder, provide assistance as required to facilitate a sale of the Commonwealth's interest in the Company; and
- do all things necessary, convenient or incidental to carrying out or attaining of these objectives.

In achieving these objectives, MIC is to deliver a value for money solution to the Australian Government and act in an environmentally and socially responsible manner with due regard to the views of local communities. This means that the terminal development will consider the benefits that can be provided to the local community as well as minimise the adverse impacts on nearby residents and businesses.

History

Following an expression of interest and procurement process, on 3 June 2015 MIC entered into agreements with the Sydney Intermodal Terminal Alliance (SIMTA) to develop and operate intermodal terminals and associated facilities at Moorebank on a precinct comprising land contributed by the Commonwealth of Australia and Qube Holdings. On 24 January 2017, financial close was reached, making the agreements fully effective and allowing development works to commence. At financial close, SIMTA became wholly owned by Qube Holdings.

MIC will oversee development of the Moorebank freight precinct to make sure Qube delivers the core components of the precinct infrastructure to the required standards. During operations, MIC's main role will be to monitor Qube's compliance with its obligation to make access available to the IMEX and interstate terminals on an open and non-discriminatory basis.

Vision

MIC is making possible a world-class intermodal terminal that achieves a significant mode shift to rail transport of containerised freight.

In partnership with the private sector, MIC is making the most of opportunities presented by the precinct to create a successful, sustainable terminal that is efficient, effective and valued by multiple users.

The terminal is a game changer in container freight logistics, widely acknowledged for its modal delivery.

As a good neighbour, MIC listens to, respects, and positively contributes to the community, and requires its partners to do the same.

Values

1

COLLABORATION

We work as a team and promote team success, act in a spirit of cooperation and foster good relations with all our colleagues.

2

LEADERSHIP

We believe in our vision and inspire others, influence others to achieve the best results and take responsibility for solving problems.

3

INTEGRITY AND TRUST

We are ethical, open and honest in all we do. We are dependable and reliable.

4

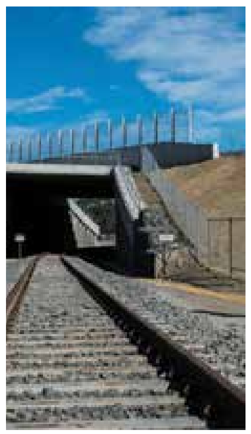
MUTUAL RESPECT

We treat everyone fairly and with respect and appreciate the same in return. We support and consider others and value diversity and unique contributions.

5

ACHIEVEMENT

We demonstrate commitment to high standards and expect and support excellence in others. We are solution orientated and results driven and are dedicated and tenacious.



Rail access works.

UP TO 1.05 MILLION
TEU'S PER ANNUM
TO BE TRANSPORTED
BY RAIL

MESSAGE FROM THE CHAIR AND CEO

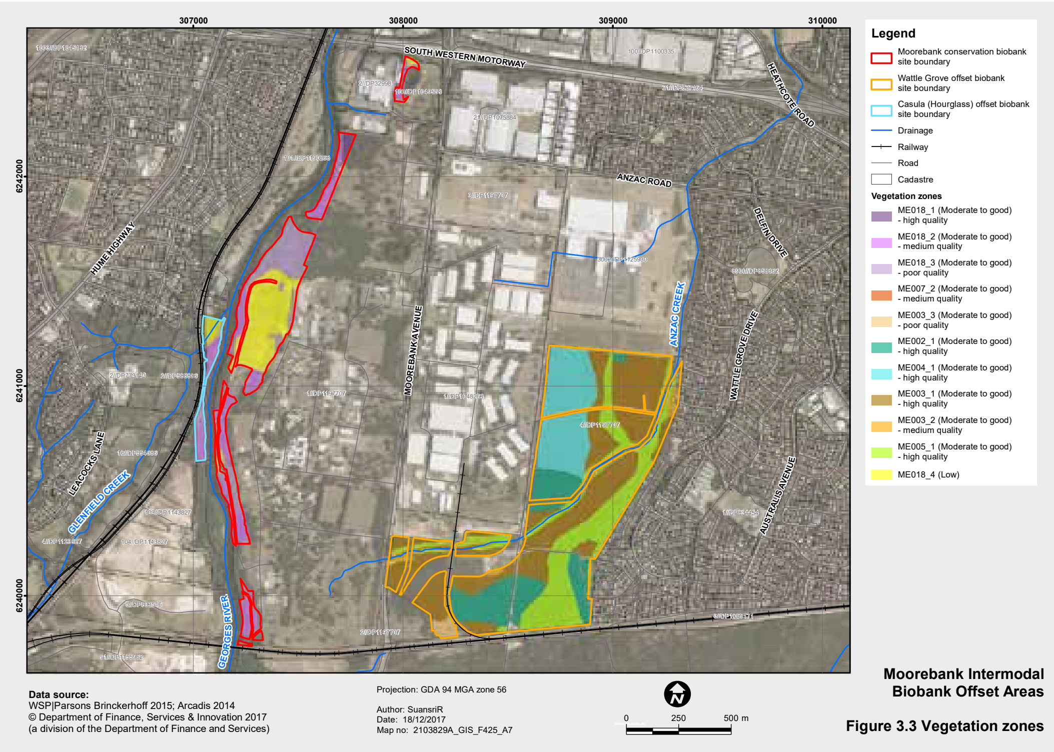
The year saw good progress, with construction largely completed on the first critical elements of Moorebank Logistics Park, including the IMEX terminal and its rail access works. The IMEX terminal is now set to open for business in November 2019, allowing up to 1.05 million TEUs per annum, at its ultimate capacity, to be transported by rail direct from Port Botany, with rail access fees to commence payment to MIC in 2021.

Completing Rail Access Works IMEX Terminal

Rail Access Works are being delivered in two stages. Stage 1 is a 2.5 kilometre rail line connecting the SSFL to the IMEX terminal. This will allow freight trains to run on a freight dedicated line between Port Botany and Moorebank. Stage 2, which is scheduled for 2020-23, will connect the interstate terminal to the SSFL (partly via Stage 1).

During the year, Stage 1 was delayed from its planned completion date of January 2019, in part due to the access and design issues associated with the complexity of constructing a rail line adjacent to and above a waste facility.

Completed works during the year included: the rail access link spanning the Georges River; the rail underpass of Moorebank Avenue; culverts across Anzac Creek; reinforced earth walls; and signal commissioning. By 30 June 2019, the rail works were largely completed to allow trains to commence commissioning phase, with operations due to commence in November 2019.



Map/aerial shot showing the size of the biobank site compared to the project area.


Completed Target Australia warehouse.

Establishing Moorebank Forest

On 31 January 2019, MIC reached agreement with the NSW Environment Minister to execute a biobanking agreement for the Commonwealth-owned biodiversity offset land. The biobanking agreement will protect a 105-hectare biobank site – a quarter of the entire project area – holding sufficient biobanking credits to offset the majority of MIC-funded works.

The new ‘Moorebank Forest’ created by the biobank site will be preserved in perpetuity, ensuring significant flora and fauna are fully protected.

Getting the IMEX terminal ready for operation

During the year, the IMEX terminal was largely completed and will open for service in November 2019. The Terminal is currently approved to process 250,000 containers per annum. Further approvals will allow the terminal to handle up to 1.05 million containers per annum.

The IMEX terminal will accept 600m-long trains that will shuttle containers between Port Botany and Moorebank, instead of these containers being transported on the road network. The warehouses will accept these containers and distribute goods to other locations within the Sydney area.

Completing Land Preparation Works Stage 1

In December 2018, the demolition and early works on the land west of Moorebank Avenue was completed. All buildings were demolished, decontamination works undertaken, and underground services excavated and removed, enabling civil works to commence for full warehouse development of the site.

The next package of works will see the removal of 50 hectares of vegetation, allowing civil works to commence to prepare the existing ground for future fill and warehousing on the site.

Ensuring open access to the IMEX terminal

During the year, MIC and Qube worked cooperatively to jointly develop the initial access protocol for the IMEX terminal. The initial access protocol was approved by the MIC board and submitted for industry consultation in June 2019. The access protocol provides a contractual regime to ensure third-party operators have open and non-discriminatory access to the IMEX terminal and to promote efficiency, productivity and volume through it.

Following industry consultation, the open access documentation will be updated and published on the terminal operator’s website prior to the opening of the IMEX terminal.

Target Australia warehouse

Target Australia has signed as the first tenant to have purpose-built facilities at Moorebank for a new warehouse and office facilities that will capitalise on the efficiencies of being co-located with the new IMEX freight rail terminal. During the year, the purpose-built Target warehouse was largely competed. This state-of-the-art, automated warehouse will open for operation at the same time as the IMEX terminal.

In the coming year, MIC will support Qube in developing further warehousing on site and ensuring that potential tenants aligned to use rail are attracted to the Moorebank development.

Starting to ramp up employment

When Moorebank Logistics Park is operating at full capacity, it will create approximately 6,800 jobs on site. There will also be flow-on economic benefits in the Liverpool local government area, with a further 5,500 jobs forecast in transport-related industries.

The year saw the creation of the first of the site’s permanent jobs and the first promotion of the precinct’s employment opportunities through a career expo. MIC’s workforce advisory group, comprising tertiary educators and industry representatives, continued to meet, working to ensure local people have appropriate training and apprenticeships to support their attaining job opportunities arising from terminal operations.

Implementing the community benefits package

In 2018-19, the first two programs in MIC's community benefits package began operating: a social enterprise providing jobs and career opportunities for local people and an ongoing profit stream to be used for community initiatives; and a health living program, including exercise equipment in local parks and community training sessions.

Progressing development applications

During the year, planning approvals were sought for the interstate terminal and precinct west warehousing.

MIC, Qube and NSW Government agencies and the Department of Defence have also initiated the planning approval process for the relocation of Moorebank Avenue. In the coming year, MIC will work to expedite planning approval and assist Qube in obtaining this approval for warehousing and terminal capacity.

Supporting infrastructure upgrades

To function efficiently and effectively, Moorebank Logistics Park needs upgrades to its surrounding infrastructure: a local road system that can cope with both background traffic growth and terminal traffic; and an efficient rail freight line with sufficient capacity to handle the planned throughput volumes. In 2018-19, MIC continued to engage with Australian Rail Track Corporation (ARTC), NSW Ports and the port operator, port operators, to understand and support the need for appropriate rail capacity continues to be available to access Moorebank Logistic Park.

Critically, the Botany Rail Duplication Project, planned for construction in 2020-23 and currently subject to State Planning Approval, will duplicate the remaining 2.9 kilometres section of single line track of the Port Botany Rail Line between Mascot and Botany and construct 1.4 kilometre passing loop at Cabramatta. This is essential to support the throughput ramp-up profile for Moorebank Logistics Park.

New CEO

In November 2018, following an executive search in Australia and internationally, the Board appointed Peter Hicks as MIC's new CEO. Mr Hicks was previously the Head of Asset Management at CP2, overseeing private sector investment in Australian transport infrastructure, and Chief Financial Officer at Leighton Contractors. He also held senior executive positions in infrastructure and facility investments, rail network operations, and rail planning.

We thank our interim CEO, David Jurd, for his leadership of MIC and we are grateful that he will remain available to support the Delivery Team as development proceeds.

Refreshing the board while maintaining continuity

During the year, the terms of two non-executive directors, Claire Filson and Paul Binsted, expired. We thank them for their diligent work and invaluable service to MIC.

To maintain continuity, in December 2018, Kerry Schott AO was reappointed as Chair for an additional 12-month term. Dr Schott has served as MIC's inaugural Chair since the company was established in 2012. Her reappointment will provide continuity for this important infrastructure project during the next stages of planning and construction.

In March 2019, Lucio Di Bartolomeo was appointed as Deputy Chair of the Board and reappointed as a non-executive director for an additional three-year term. Mr Di Bartolomeo has considerable experience in the engineering, transport, logistics and infrastructure sectors. His reappointment will also support continuity during the next stage of planning and construction.

The year also saw the appointment of four new directors, each for a three-year term:

- **Andrew Harrison** – appointed July 2018. Mr Harrison is a senior company director, former ASX100 CFO, and corporate adviser, with particular expertise in capital transactions and the construction and logistics industries.
- **Christine Holman** – appointed July 2018. Ms Holman has more than 20 years' experience in senior roles across the media, property, industrial and technology sectors.
- **Erin Flaherty** – appointed March 2019. Ms Flaherty has a wealth of experience in managing large infrastructure projects as well as legal, corporate governance and finance skills.
- **The Hon Jim Lloyd** – appointed June 2019. Mr Lloyd served in the Australian Parliament as the Member for Robertson for 11 years and was Federal Minister for Local Government, Territories and Roads from July 2004 to November 2007.

These appointments add valuable skills to MIC's highly experienced board, giving it additional depth of skills to oversee the business as MIC's role transforms from infrastructure development to monitoring compliance of the open access regime when the IMEX terminal begins operating.

Working with Qube

The key focus for the MIC and Qube team partnership is to physically complete Moorebank Logistics Park to enable operations to commence.

MIC and Qube are working to ensure a successful strategic partnership in delivering and operating of the Moorebank Logistics Park. This partnership is essential to ensuring both the success of the terminals and ongoing oversight over the open access regime are implemented for operational commencement.

MIC and Qube have not had the most effective working relationship through the initial development of Moorebank Logistics Park. The CEO's and Board Chairs of both Qube and MIC have continued to meet regularly to foster a more effective working relationship.

MIC continues to carefully manage and seek to promptly resolve its current contractual disputes with Qube, while seeking to ensure that MIC funds are only deployed on the capital works contractually committed to in order to protect the Commonwealth's investment in the Moorebank development.

THE YEAR AHEAD

MIC has four areas of focus for the coming year:

1 OPERATIONAL OVERSIGHT

With the IMEX terminal and the precinct's first warehouse operational, MIC will be responsible for overseeing and monitoring Qube's compliance with the access protocol for the IMEX terminal to ensure access is genuinely open and non-discriminatory. An independent external auditor will undertake an annual audit and report on compliance annually, with a summary of conclusions and recommendations to be made available on the IMEX terminal operator's website. MIC will receive the auditor's report as part of its oversight and monitoring role. MIC's monitoring strategy will include assessing the auditor's report, investigating any formal written complaints received from customers or access seekers and resolution of disputes.

2 DELIVERY OVERSIGHT

MIC will work with Qube to ensure the appropriate scope and delivery of MIC-funded works and oversee the Qube delivery program including:

- completing all construction of all the IMEX terminal to commence operation in November 2019;
- continuing construction of the full IMEX terminal footprint;
- commencing maintenance and enhancement of the Moorebank Forest;
- beginning land preparation for Stage 2 of the rail access works and warehousing; and
- securing planning approval for the relocated Moorebank Avenue.

3 CONTRACT OVERSIGHT

MIC will support the achievement of development milestones by:

- overseeing completion of the contract for rail access to the IMEX terminal;
- approve the scope and letting of the major contract (Land Preparation Works Stage 2) to finalise preparation of the former School of Military Engineering Site ready to construct the interstate terminal and associated warehousing; and
- approve the letting of the rail access contract for the interstate terminal.

4 WAREHOUSE DEVELOPMENT

MIC will work with Qube to develop the warehousing precinct by:

- promoting the public profile of the Moorebank development and modal shift to rail with Qube through a communications strategy;
- approving proposed tenants of warehousing facilities;
- ensuring all approvals are in place prior to warehouse construction commencing and, upon completion, confirming that all compliance requirements and approvals are satisfied prior to leases being granted; and
- supporting Qube subdivision of the warehouse land and facilitating relevant landowner approvals for the easements required to support services as the development progresses.

Acknowledgement

We are grateful for the support of our shareholder ministers and their departments. We appreciate the collaborative approach of the NSW Government, ARTC, NSW Ports and port operators. We acknowledge the continued professionalism of the MIC team and the ongoing efforts of our Board.

Finally, we thank Qube for delivering on the year's milestone projects and look forward to working collaboratively together in the coming year.

Kerry Schott
Chair

Peter Hicks
Chief Executive Officer

OPERATIONAL REPORT

Moorebank Logistics Park

This nationally significant infrastructure development will transform the way containerised freight moves through Port Botany and deliver a faster, simpler and more cost-effective service for businesses and consumers. Moorebank Logistics Park is being constructed on a precinct comprising 158-hectares of land owned by the Commonwealth of Australia and an adjacent 83-hectares owned by Qube Holdings.

The site is a unique location for an intermodal terminal:

- long enough to handle interstate freight trains, which can be 1.5 kilometre to 1.8 kilometre long;
- large enough to handle the number of containers expected – up to 1.05 million TEU a year of IMEX freight and another 500,000 TEU a year of interstate freight;
- adjacent to the Southern Sydney Freight Line – a dedicated freight rail line that provides a direct link to the interstate freight network and, together with the Metropolitan Freight Network, a direct link to Port Botany;
- with easy access to all the key freight corridors, the M5 Motorway, the M7 Motorway and the Hume Highway; and
- nearby to existing industrial areas, and close to growing freight markets in south-west Sydney and existing major freight markets in western Sydney, which is where most of the containerised freight received at Port Botany is headed.

The precinct will provide a number of supply chain benefits through lower transportation, reduced handling, lower warehousing requirements and lower working capital and inventory costs:

- efficient Port Botany to Moorebank rail operations will reduce logistics costs by replacing primary trucking;
- co-location of on-site warehousing and the IMEX and interstate terminals will lower primary transport costs and drive other operational synergies;
- co-location of complementary businesses will drive secondary transport savings;
- empty container de-hire at Moorebank (and rail back to the port) will drive further efficiencies; and
- the facility will offer cross-docking and product delivery direct to customers.

MIC's oversight role

MIC represents the interests of the Commonwealth in the long-term precinct partnership with Qube. Its broad remit is to ensure the precinct delivers the expected financial return to the Commonwealth and fully achieves the Commonwealth's policy objectives for the terminal. Specifically, MIC seeks to ensure:

- value for money is delivered by rigorously overseeing the contractual arrangements; and
- Moorebank Logistics Park has its capacity fully utilised through stringent oversight of its open access protocols and ensure appropriate tenants for the associated warehouse sites.

While Qube is responsible for the procurement and direct contracting of the development works, MIC is responsible for approving and funding an agreed scope of MIC funded works and maintaining operational oversight of the development to ensure the precinct delivers the expected financial return to the Commonwealth and achieves the Commonwealth's policy objectives for the terminal.

To this end, during the year, MIC:

- oversaw the preparation of new contract lettings to ensure clear scope definition, appropriate owners' consent and planning approvals were in place to ensure maximum competitive tension in tendering, risks were known and capable of being priced, and also variations minimised;
- managed disputes with Qube to ensure MIC funds were only deployed on appropriate capital works and within appropriate scope; and
- scrutinised all Qube invoicing under the Development and Operation Deed (see below) to ensure value for money.

Development scope and timeframe

The Moorebank precinct development and operations are governed by the Development and Operations Deed, including the open access regime and the capacity expansion regime. The Deed grants Qube rights to develop and operate the interstate terminal, IMEX terminal, associated precinct infrastructure and warehousing for 99 years, subject to certain conditions. The Deed includes specific obligations to prepare the site for development, including remediation, and to develop and operate the terminals, including the rail access between the terminals and the SSFL.

Qube has appointed a terminal operator to the IMEX terminal, Qube (Rail) Logistics. MIC has provided its approval. Initial operations are expected to commence after November 2019. MIC has no contractual relationship with the terminal operator but will monitor and oversee its compliance with the terminal access protocol. Qube is responsible for the performance of the operator, including re-tendering of operator in the event of an operational termination.

Landholding structure

At financial close of the transaction, the Commonwealth and Qube contributed the freehold land parcels that form the Moorebank precinct, including land required for biodiversity offsets, by way of 99-year leases into a jointly unit trust, (known as Moorebank Precinct Land Trust).

Based on the relative proportions of developable land contributed, MIC owns 65 per cent of Moorebank Precinct Land Trust (by way of units held by its subsidiary, MIC Land Trust), and Qube owns 35 per cent of Moorebank Precinct Land Trust (by way of units held by its vehicle, Moorebank Industrial Investment Trust). MIC has the controlling interest in Moorebank Precinct Land Trust.

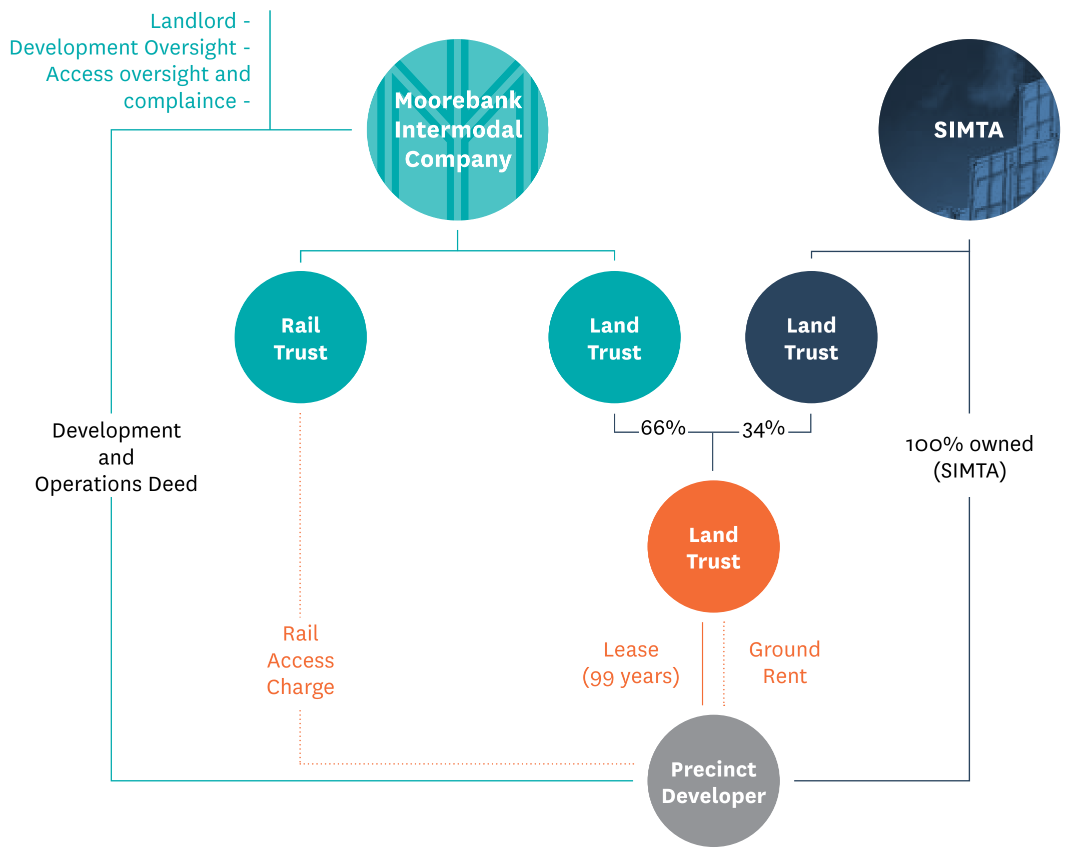
The Security Holders Agreement between MIC Land Trust, Moorebank Industrial Investment Trust and Moorebank Precinct Land Trust governs the rights and obligations of ownership of units and shares in Moorebank Precinct Land Trust. Moorebank Precinct Land Trust's role is primarily to grant licences and leases and receive revenue by means of ground rent.

MIC corporate structure

MIC's corporate structure includes two wholly owned subsidiaries created to facilitate the delivery of MIC's obligations under the agreements:

- MIC Land Trust, which entered into the Commonwealth Head Lease at financial close and in turn sub-leased the Commonwealth land into Moorebank Precinct Land Trust, will receive MIC's share of the distributions from Moorebank Precinct Land Trust generated from the ground rent received; and
- MIC Rail Trust, which is funding the rail access infrastructure connecting Moorebank Logistics Park to the Southern Sydney Freight Line, and in return will receive the rail access charge for the full term of the 99-year leases. MIC Rail Trust has no role in operating and maintaining the rail access, being the responsibility of Qube.

The structure diagram below sets out the transaction structure as well as MIC's corporate structure.



Milestones

During the year, the IMEX terminal and its rail connection were largely completed. In 2019-20, MIC and Qube will work together to:

- implement the access protocol for the IMEX terminal;
- commence the first rail operations into the IMEX terminal by November 2019;
- open the first new warehouse on the site (37,860 square metre) built for Target Australia;
- lease development of adjacent warehouse lots to tenants aligned with the use of the IMEX rail terminal (515,000 square metre potentially available); and
- continue to develop the terminal infrastructure, including advancing planning approval for the Moorebank Avenue relocation and completing the last stage of land preparation on the interstate site.

Open access regime

When the Moorebank Logistics Park is operational, each terminal will be operated as an open access facility that encourages competition on a non-discriminatory basis, facilitating third-party use and helping to boost national productivity.

During the year, MIC and Qube negotiated and agreed the initial IMEX Terminal Access Protocol and supporting documents that set out a sound open access regime with rules for reference and ancillary services, application processes, capacity allocation, pricing, cost allocation, complaints, disputes, and monitoring compliance.

To communicate and obtain feedback on the terms of access to the IMEX terminal from the market, MIC, Qube and the Australian Logistics Council held a joint industry consultation session in June 2019.

Following the industry consultation session, MIC invited stakeholders to comment on the proposed initial terminal access protocol and standard customer agreement for the IMEX terminal. MIC and Qube will consider industry feedback and finalise the initial terminal access protocol before the IMEX terminal begins operations.

This process will be repeated in 2020 in the lead up to the start of the interstate terminal operations. The open access documentation for the IMEX terminal will not be a precedent for the interstate terminal arrangements. Third-party interest in using the interstate terminal is expected to be much higher given its unique significant capacity and position in the Sydney market.

Land preparation works

MIC is responsible for funding land preparation works, including contamination remediation, benching, demolition and biodiversity works on Commonwealth-owned land. During the year, Land Preparation Works Stage 1 was completed. The Land Preparation Works scope increased due to extensive removal of underground services, which involved detailed excavation work in trenches, plus backfill. Significant quantities of asbestos contaminated topsoil were also encountered and disposed of off-site, further exacerbating cost.

In the coming year, Land Preparation Works Stage 2 will be scoped, tendered and commenced to prepare the site the future interstate terminal and surrounding warehousing. MIC and Qube are working together to agree a work method, finalise the scope and write specifications before calling for tenders.

Moorebank Avenue

The relocation of Moorebank Avenue to the east of the precinct is necessary to achieve operational efficiencies for the terminals at Moorebank. The relocation of Moorebank Avenue will require both Commonwealth and State planning approvals.

The development of the Precinct requires an upgrade and relocation of certain parts of Moorebank Avenue to facilitate the realignment to the east of the precinct. Those works comprise:

- an upgrade intersection at Moorebank Avenue and Anzac Road;
- upgrade of the on and off ramps at the M5 Motorway interchange/Moorebank Avenue; and
- realignment to the east of the precinct, including supporting adjustments to the Defence Joint Logistics Unit intersection.

The relocation of Moorebank Avenue requires both Commonwealth and State planning approval. During the year, MIC met regularly with Qube to discuss the development of the approvals required, which are likely to be sought during FY2019-20.

Contamination

During environmental assessment investigations associated with the precinct's planning approvals, asbestos was detected in a number of buildings; buried building waste areas from historic demolition activities; and some topsoil across the site. In addition, fuel and waste oil contamination was found in a number of underground storage tanks, and waste from munition activities and perfluoroalkyl substances (PFAS), associated with Department of Defence's use of aqueous film forming foams, was found on the former SME site.

Geochemical investigations commissioned by MIC, focusing on PFAS, undertaken by Golder Associates in 2015 and 2016, confirmed two primary sites and a potential third site, along the eastern bank of the Georges River, where the Department of Defence had held firefighting exercises over many years. These sites comprise less than 1 per cent of the total site area of Moorebank Logistics Park and importantly, are not located in the developable footprint.

MIC is working closely with the Commonwealth in assessing and considering the human health and ecological risk assessment of PFAS contamination at the two primary sites.

MIC is required to approve the scope necessary to meet the requirements of the Contaminated Land Management Act as certified by the site auditor.

Biodiversity offset strategy

The inclusion of significant Commonwealth-owned biodiversity lands within the project has been on the basis that the biodiversity credits from these lands would be made available to satisfy most of the NSW and Commonwealth offset requirements. These requirements arise from land clearing for rail access works, warehousing and other development.

During the year, MIC reached agreement with the NSW Government to execute a biobanking agreement for the Commonwealth-owned bio-diversity offset land (Moorebank Forest). The biobanking site contains sufficient biobanking credits to offset the majority of MIC-funded works.

Due to insufficient credits for certain species, there is a shortfall in required offset credits for the MIC-funded works. The shortfall will be purchased by Qube as required, with MIC reimbursing the cost as MIC-funded works. The shortfall purchased for the rail access works corridor will become part of the rail access works fee that Qube will pay back as a rail access charge.

Where surplus credits arise on the biobanking site, MIC intends to sell the credits, with the approval of the Commonwealth, to offset purchase of credits elsewhere on the site.

Partnership with Qube

MIC and Qube are working to ensure a successful strategic partnership in delivering and operating the Moorebank Logistics Park. This partnership is essential to ensure both the success of the terminal and ongoing oversight over the open access regime.

Supporting the shift from road to rail

MIC has a strong interest in supporting the mode shift from road to rail, to ensure the precinct delivers the expected financial return to the Commonwealth and achieves the Commonwealth's policy objectives for the terminal. During the year, MIC continued to encourage a mode shift through advocacy, promoting rail's competitiveness for freight transport. This included:

- supporting improvements at the port-rail interface and of the rail link between Moorebank and Port Botany, performance standards across the rail freight lines, and an end-to-end focus by individual participants;
- promoting the non-discriminatory nature of access to the Moorebank Logistics Park to industry for potential access seekers and customers; and
- assisting in the development of the National Freight and Supply Chain Strategy, with a particular interest in a coordinated network of interstate and regional intermodal terminals.

Wider economic benefits

In line with the requirement to 'act in a socially and environmentally responsible manner with due regard to local communities', MIC believes the terminal must fit as comfortably as possible within its local environment and provide the maximum opportunity for the benefits associated with the terminal to be accessed and enjoyed by the people living nearby.

During the year, MIC worked on a number of programs that will support the terminal's social licence to operate, and leave a positive, lasting legacy from the Commonwealth's involvement in the enterprise.

Voluntary planning agreement

In 2018-19, the planning application for Moorebank Precinct West Stage 2 required a voluntary planning agreement to be agreed with Transport for NSW. In late 2018, the terms of this voluntary planning agreement were finalised, addressing the impacts on local road infrastructure and local community infrastructure.

Development contributions

Qube has agreed with Liverpool City Council and gained endorsement from the Department of Planning and Environment, that Liverpool City Council can levy development contributions at 1 per cent of capital investment value to address the impact of the project on local facilities. These contributions are only payable during the development phase and are levied following approval of each State Significant Development application, as it becomes a condition of consent.

Local employment opportunities

Several commentators, including Western Sydney University, Deloitte and the Western Sydney Business Chamber, have identified that population growth rates in western and south-west Sydney significantly exceed job growth rates there, resulting in a worsening jobs shortage. The scale of the Moorebank Logistics Park operations will create important new jobs for the area, increasing the need for skills in logistics and related fields.

In May 2017, MIC established the Moorebank Intermodal Terminal Workforce Advisory Group (MITWAG) to assist in identifying and addressing skill shortages and education and training needs generated by the development and operation of Moorebank Logistics Park. Members of the group included representatives from NSW government, local councils, industry, chambers of commerce and educational institutes.

In 208-19, the advisory group, which met regularly during the year, attended the 2018 South Western Sydney / Macarthur Apprenticeship and Trainee Expo, with MIC and Qube, to promote the precinct's career and training opportunities to 2,000 students, parents, teachers and careers advisors.

In 2019-20, Liverpool City Council will take over the role as administrator of MITWAG. The Council has allocated funding to engage a dedicated resource to continue the work done by MITWAG to date and further develop training pathways in line with government targets for creating jobs closer to home.

Community benefits package

MIC's community program includes a $1 million package to localise the benefits associated with the terminal for people living nearby. The local benefits program is intended to promote some of the terminal's positive impacts on the community. In 2014, MIC implemented a citizens' jury to develop the following programs for funding:

- a social enterprise operated in the local community, by the local community, for the local community, to provide jobs and career opportunities and an ongoing profit stream to be used for community initiatives;
- a healthy living program, including exercise equipment in local parks and outdoor training sessions modelled on Liverpool City Council's former 'Live Well in Liverpool – Healthy Communities Initiative'; and
- scholarships at a local TAFE for residents living near the terminal that will target local business needs.

In 2017-18, MIC established a steering committee made up of four representatives from the citizens' jury, MIC, Qube and Liverpool City Council to further refine the recommendations.

In 2018-19, the MIC Board endorsed the implementation of the following steering committee recommendations:

- A social enterprise initially targeting unemployed youth and 'youth at risk' and, once established, expanding to include to women, recent migrants and Aboriginal and Torres Strait Islander community. The enterprise, which will enrol up to 200 students each year, will offer training focussed on long-term employment opportunities at the terminal.
- A three-year healthy living program, including: outdoor fitness boot camps run in three parks near the terminal; fitness sessions on outdoor gym equipment; and healthy living workshops run by local health professionals, focussing on healthy eating and incorporating fitness into day-to-day life.
- A training and scholarships program linked to future jobs at the terminal, providing funding to people living within a 5 kilometres radius of the terminal. The program, which is limited to one scholarship per household, will contribute to 50 per cent of the cost of entry level or vocational training, or 25 per cent of the cost of as diplomas or trade certificates

During the year, MIC identified and entered into agreements to fund a social enterprise and healthy living program. Both programs began operating in the community during the year.

In 2019-20, MIC will work with these proponents to support the success of the social enterprise and healthy living program.

Work health and safety

MIC does not compromise on safety. MIC's WHS Management Plan covers general work health and safety and rail safety through its assurance and due diligence procedures to review, monitor, audit and report on safety. MIC is therefore able to satisfy itself that Qube, its sub-contractors and its operator fulfil their workplace health and safety responsibilities. It has three roles in safety management:

1. **Oversight of work health and safety and rail safety during construction**
   MIC has a due diligence and oversight role with respect to Qube's construction activities. MIC relies on Qube's processes, including reporting, for general work health and safety and rail safety as it relates to the terminal, warehouse and rail works.
2. **Oversight of work health and safety and rail safety during operations**
   During the year, Qube's terminal operator, Qube Logistics (Rail) was granted accreditation under the Rail Safety National Law as both a Rail Infrastructure Manager and a Rolling Stock Operator, with responsibilities for safe railway operation in Australia. The Rail Safety National Law applies to the intermodal terminal itself as well as its rail access.
3. **Direct responsibility for the work health and safety of MIC's employees and workplace**
   MIC operates in an office environment and on site at Moorebank. MIC's staff are under the management of the relevant 'principal contractor' (Qube or one of its subcontractors) who are in control of the site. MIC's safety policies and procedures reflect this.

   To comply with the responsibilities and requirements set out in the Work Health and Safety Act 2011 (NSW), MIC has implemented a risk management approach that includes processes to identify, assess and control risks to a level as low as reasonably practical.

   MIC's Work Health and Safety Office Manual sets out the procedures and information necessary for managing MIC staff exposure to hazards and risk in their day-to-day activities. During the year, MIC completed a full audit of the site's safety systems, which reported very positively on the systems in place.

Business improvement program

During the year, MIC commenced a business improvement program, overseen by the Audit and Risk Committee.

A new Procurement Framework and revised Corporate Expenses, Credit Card, Gifts and Benefits, Sponsorship and Donations policies have been approved and adopted in response to the second performance audit undertaken by the ANAO in 2018. The policies have been approved by the board and implementation across the company is being rolled out. The program will be fully implemented by the end of 2019-20.

ORGANISATIONAL STRUCTURE

The program also includes two new software implementations:

- **Coins** – financial management software supporting construction-based resource planning; and
- **iManage** – a cloud-based document management system that will allow MIC to share reports and correspondence electronically with Qube and Shareholder Departments.

Performance measures

During the year, MIC largely achieved the performance indicators set out in its 2018–19 Corporate Plan. Its main achievements included:

- completing Land Preparation Works (Stage 1);
- finalising the biobanking agreement;
- undertaking an industry consultation in relation to the initial IMEX terminal access protocol;
- largely completing the IMEX terminal and its rail connection;
- beginning its social enterprise and health living programs; and
- putting in place a voluntary planning agreement for the full development.

CEO

CFO
- Finance
- IT
- Payroll
- Financial Model
- Audit

General Counsel/ Company Secretary
- Legal
- HR
- Company secretarial
- Compliance and Risk
- Stakeholder Management

Director (Construction)
- On site quality control and oversight of all MIC funded works
- IQS/IV
- Billing management

Delivery Director
- Moorebank Avenue Relocation
- Biobanking
- PFAS

DIRECTORS' REPORT

Board of Directors

The following people served as directors of Moorebank Intermodal Company Limited during the financial year ended 30 June 2019. All directors were appointed on three-year terms, with the exception of the Chair who was renewed for a further 12-month term from 13 December 2018.

KERRY SCHOTT AO
CHAIR AND NON-EXECUTIVE DIRECTOR
BA (HONS), MA, DPHIL
Appointed: 13 December 2012

Kerry Schott is Chair of the Moorebank Intermodal Company Ltd, a director of NBN and Chair of the Energy Security Board.

Kerry was Managing Director and CEO of Sydney Water from 2006 to 2011 and Deputy Secretary of NSW Treasury for three years before that. She spent 15 years as an investment banker, including as Managing Director of Deutsche Bank and Executive Vice President of Bankers Trust Australia. During this time, she specialised in privatisation, restructuring, and infrastructure provision. Prior to becoming an investment banker, she was a public servant and an academic.

Kerry has been awarded an Order of Australia and Honorary Doctorates from the University of Sydney, the University of Western Sydney and the University of New England.

LUCIO DI BARTOLOMEO

DEPUTY CHAIR AND NON-EXECUTIVE DIRECTOR

BE(Civil), MEngSc, MIEA

Appointed: 2 May 2016

Lucio Di Bartolomeo has more than 40 years' experience in the transport industry and extensive knowledge in rail, infrastructure and engineering.

He is currently the Chairman of Northwest Rapid Transit, Health Infrastructure NSW and Australian Naval Infrastructure Pty Ltd, and a non-executive director of Australian Super and Frontier Advisors. Until June 2016, he was a non-executive director of Australian Rail Track Corporation.

Lucio was previously Managing Director of ADI Limited, Country Director of Thales (Australia) and Managing Director of FreightCorp.

PAUL BINSTED

NON-EXECUTIVE DIRECTOR

BEc, LLB

Term expired: 7 May 2019

Paul Binsted is presently a director of the Clean Energy Finance Corporation and chairs the Finance and Audit Committee of the Australian National Maritime Museum.

He has than thirty years' investment banking experience. During that time, he held senior positions at Lloyds Corporate Advisory Services, Schroders and Salomon Smith Barney (now Citigroup), as well as being Managing Director and Joint CEO of Lazard. He has chaired both Sydney Ports Corporation and the State Rail Authority of NSW. He was also a chairman of the Financial Sector Advisory Council. He was a Member of the Australian Financial Centre Forum ("Johnson Report") and the Australian Government's Shipping Reform Task Force.

CLAIRE FILSON

NON-EXECUTIVE DIRECTOR

LLB, MBA, Grad. Dip. Applied Corporate Governance

Term expired: 12 December 2018

Claire Filson is Deputy Chair of Port of Hastings Development Authority and a director of TT-Line Pty Ltd and Box Hill Institute. She has experience in construction law and financial services in both regulatory and private sector settings and previously worked with PPPs.

She has strong commercial, financial and governance skills, with extensive experience working with audit, finance and risk committees.

THE HON. JAMIE BRIGGS

NON-EXECUTIVE DIRECTOR

Appointed: 13 December 2016

Jamie Briggs is a Partner at PwC in the deals business, focusing on cities, infrastructure and government.

Jamie was previously a member of the Australian Parliament and served in the capacity of Federal Minister for Cities and the Built Environment and the Federal Assistant Minister for Infrastructure and Regional Development.

Prior to entering Parliament, he was a Senior Advisor to the then Prime Minister the Hon. John Howard from 2004 to 2007, advising on workplace relations reform.

ANDREW HARRISON

NON-EXECUTIVE DIRECTOR

B.Ec, MBA, CA and MAICD

Appointed: 26 July 2018

Andrew Harrison is an experienced company director, former ASX100 CFO, and corporate adviser. He is currently Chairman of Bapcor Limited and WiseTech Global Limited.

Andrew has held executive and non-executive directorships in public and private companies and has been CFO for a number of companies, including Seven Group Holdings, Alesco Limited and Hanson Australia Limited in Australia, and Landis+Gyr in Europe and the US. In the earlier stages of his career, Andrew was an investment banker at Gresham Partners (Sydney) and Chase Manhattan Bank (New York) and originally trained as a Chartered Accountant at Ernst and Young (Sydney and London). He holds a B.Ec from the University of Sydney, an MBA from The Wharton School, University of Pennsylvania, is a Chartered Accountant and Member of the Australian Institute of Company Directors).

CHRISTINE HOLMAN

NON-EXECUTIVE DIRECTOR

PGradDip, MBA, GAICD

Appointed: 26 July 2018

Christine Holman is a professional company director, currently non-executive director of three ASX listed boards: CSR Ltd, Blackmores and WiseTech Global.

In line with her passion for cricket and preserving the heritage and history of the game and our nation, Christine also sits on the Boards of the Bradman Foundation, the T20 World Cup and the State Library of NSW Foundation.

In her previous executive capacity, as both CFO and Commercial Director of Telstra Broadcast Services, Christine has a deep understanding of legacy and emerging technologies supported by a detailed knowledge of strategies related to growing businesses and digital transformations. During her time in private investment management/private equity, Christine assisted management and the Board of investee companies on strategy development, mergers and acquisitions, leading due diligence teams, managing large complex commercial negotiations and developing growth opportunities.

ERIN FLAHERTY

NON-EXECUTIVE DIRECTOR

Appointed: 26 March 2019

Erin Flaherty has more than 30 years' experience in both private and Government sectors. She was involved with Reliance Rail as the Commercial Manager before becoming Executive Director of Infrastructure NSW in 2012. In 2012, Erin was also appointed by the NSW Minister for Transport to the Advisory Board for the North West Rail Link.

In 2016, Erin was appointed by the Commonwealth Minister for Finance as a Guardian of Board of the Future Fund, Australia's sovereign wealth fund.

Erin is also a board member of the Australian Youth Orchestra and chairs the Orchestra's Development Committee. In addition, she is the National Chair of the Professional Scholarship Selection Committee for the Australian American Fulbright Commission and a past Board member.

THE HON JAMES (JIM) LLOYD

NON-EXECUTIVE DIRECTOR

Appointed: 1 June 2019

Jim Lloyd served in the Australian Parliament as the Member for Robertson for 11 years from 1996 to 2007. He also served in a number of senior positions during that time, including Chief Government Whip and Federal Minister for Local Government, Territories and Roads from July 2004 to November 2007.

Jim's tenure as Roads Minister included responsibility for managing and implementing major sections of the $40 billion Auslink road construction program.

He was a NSW Board member for the Prostate Cancer Foundation of Australia and continues to act for the Foundation as an honorary Ambassador.

MR RAY WILSON

NON-EXECUTIVE DIRECTOR

ACA

Appointed: 26 July 2012

Ray Wilson has a strong background in accounting, investment banking and large-scale infrastructure development.

He is a Founding Principal and Director of Plenary Group - an international infrastructure business.

Ray was previously Head of Infrastructure and Head of Debt Markets and Securitisation at Barclays Bank/ABN AMRO. Prior to his investment career, he was a chartered accountant at Price Waterhouse and KPMG.

Meetings of Directors

The number of meetings of the company's board of directors and board committees held during the year ended 30 June 2019, and the numbers of meetings attended by each director were:

	Board		Audit & Risk Committee	
Director	**A**	**B**	**A**	**B**
K Schott	11	11	-	7*
R Wilson	11	10	9	7
C Filson	5	5	3	3
P Binsted	9	9	7	7
L Di Bartolomeo	11	10	-	6*
The Hon J Briggs	11	8	-	2*
A Harrison	10	9	6	6 + 1*
C Holman	10	10	5	5 + 2*
E Flaherty	3[1]	1	1	1
The Hon J Lloyd	1	1	-	1*

A = Number of meetings held which a director or committee member could attend
B = Number of meetings attended
* = Attended meetings ex officio
- = Non-Committee Member, attendance is not required
1 The timing of Erin Flaherty's appointment did not permit her to attend the 28 March 2019 board meeting.

Board composition changes during the period

- Andrew Harrison was appointed as director on 26 July 2018
- Christine Holman was appointed as director on 26 July 2018
- Claire Filson's term as director expired on 12 December 2018
- Erin Flaherty was appointed as director on 26 March 2019
- Paul Binsted's term as director expired on 7 May 2019
- James (Jim) Lloyd was appointed as director on 1 June 2019

Audit and risk committee

The Audit and Risk Committee was established on 15 March 2013. The Audit and Risk Committee comprises the following directors[2]:

- Andrew Harrison (appointed chair on 12 December 2018)
- Ray Wilson (appointed 26 May 2016)
- Christine Holman (appointed 12 December 2018)
- Erin Flaherty (appointed 25 June 2019)

Company secretary

Jane Webster was appointed to the position of General Counsel and Company Secretary from 11 August 2014. Ms Webster has more than 20 years' experience as a construction and infrastructure lawyer and a company secretary. Prior to joining Moorebank Intermodal Company Limited, Ms Webster held senior legal and company secretarial positions in a listed company and was a senior lawyer at a national law firm. Ms Webster has a Bachelor of Laws from the University of NSW and is a Fellow of the Governance Institute of Australia and Institute of Chartered Secretaries and Administrators.

Principal activities

The principle activity of the company is to facilitate the development of an intermodal freight precinct at Moorebank, Sydney, NSW.

Corporate information

Moorebank Intermodal Company Limited is a public company limited by shares that is incorporated and domiciled in Australia. The registered office of the company is Suite 2, Level 9, 1 O'Connell Street, Sydney NSW 2000. The company is wholly owned by the Commonwealth of Australia.

Operating results

The loss of the Group after income tax was $69 million (2018: $61 million).

Review of operations

The review of operations of the group is contained in the Chair and Chief Executive Officer's Report and the Operational Report.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Significant events subsequent to reporting date

There have been no significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

2 Claire Filson was chair of the committee from 4 December 2015 until 12 December 2018
Paul Binsted was a committee member from 12 December 2015 until 7 May 2019.

Likely developments and expected results

Likely developments and the expected results of operations of the Group are contained in the Chair and Chief Executive Officer's Report and the Operational Report.

Environmental regulation and performance

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Dividends

There was no dividend provided for or paid in the current year by the Company (2018: nil).

Rounding of amounts

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated, under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year, and there were no options outstanding as at the date of this report. No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of officers

No indemnities have been given or insurance premiums paid during, or since the end of the financial year for any person who is or has been an officer of the Company.

The Company's constitution includes indemnities in favour of persons who are or have been a director or officer of the Company. To the maximum extent permitted by law, the Company will indemnify every current and former director or officer against.

In accordance with the Company's constitution, the company has entered into a deed with each director of the Company (Director's Deed) and each officer of the Company (Officer's Deed).

These deeds formalise the arrangements between the Company and its directors and officers as to indemnities, insurance and access to Company records. Under each deed, the Company indemnifies the director or officer to the full extent permitted by law against all losses or liabilities incurred as a director or officer of the Company.

As at 30 June 2019, no claims have been made.

Insurance

During the reporting period, the company has paid or agreed to pay premiums for contracts insuring directors and officers of the Company against liabilities incurred in that capacity. The directors have not included the details of the nature of the liabilities covered or the amount of the premiums paid in respect of these insurance contracts, as such disclosure is prohibited under the terms of the contract.

Under the directors' and officers' deeds of indemnity, the Company has undertaken to insure against certain liabilities incurred as a director and officer of the Company.

No known liability has arisen under the insurance contract as at the date of this report.

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Australian National Audit Office as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Australian National Audit Office during or since the financial year.

Non-audit services

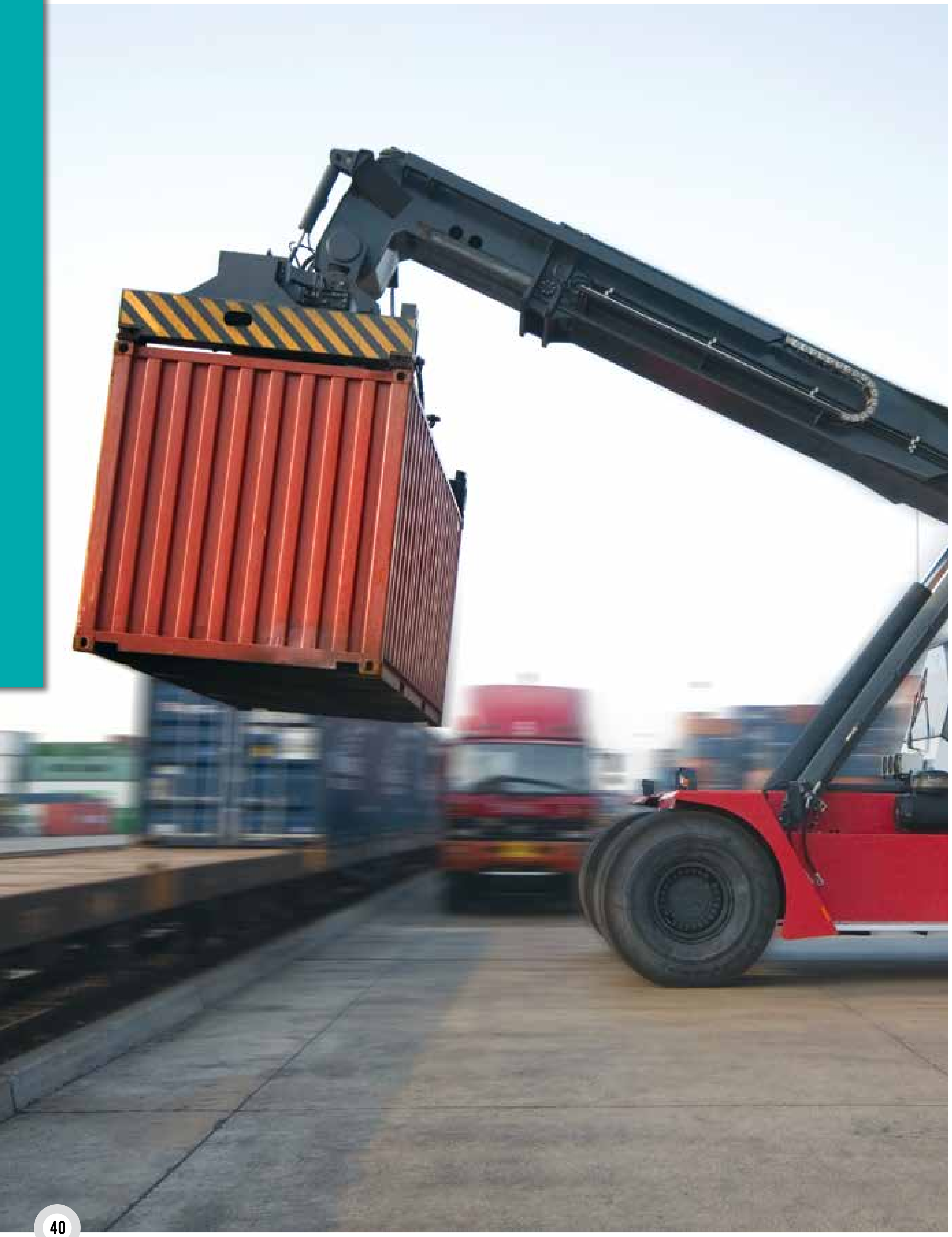
No non-audit services have been provided by the Australian National Audit Office or by the contract auditor, KPMG. Auditor's remuneration is detailed in Note 23 of the consolidated financial statements.

Auditor independence

The directors have received a declaration from the auditor of Moorebank Intermodal Company Limited. This has been included on page 41.

Signed in accordance with a resolution of the directors.

Kerry Schott AO
Chair and non-executive director
21 September 2019



AUDITOR'S INDEPENDENCE DECLARATION

Dr Kerry Schott
Chair of Board
Moorebank Intermodal Company Limited
Level 9 Suite 2
1 O'Connell Street
SYDNEY NSW 2000

MOOREBANK INTERMODAL COMPANY LIMITED CONSOLIDATED FINANCIAL REPORT 2018–19
AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the consolidated financial report of the Moorebank Intermodal Company Limited for the year ended 30 June 2019, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Scott Sharp
Executive Director
Delegate of the Auditor-General
Canberra
20 September 2019

CORPORATE GOVERNANCE STATEMENT

This statement was approved by the board on 18 September 2019, outlines MIC's corporate governance framework and practices.

MIC is committed to maintaining high standards of corporate governance, which it considers essential for a successful company and to be in the best interests of its shareholders.

MIC's governance framework is regularly reviewed to ensure it aligns to government, regulatory and legislative requirements, and best market practice. MIC's governance practices continue to evolve having regard to the:

- *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act) and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule 2014);
- *Corporations Act 2001;*
- *Commonwealth Government Business Enterprise Governance and Oversight Guidelines* January 2018 (GBE Guidelines); and
- MIC's Commercial Freedoms Framework, as revised periodically and approved by the shareholder ministers.

Our shareholders

OWNERSHIP

Moorebank Intermodal Company Limited is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly owned by the Government of the Commonwealth of Australia ("Commonwealth Government"). MIC is a Government Business Enterprise, incorporated under the Corporations Act 2001 and operating under the Public Governance, Performance and Accountability Act 2013. The Company was incorporated on 13 December 2012.

The ultimate controlling entity of the Group is the Commonwealth Government.

SHAREHOLDER MINISTERS

The shareholder ministers are the Hon Alan Tudge MP, Minister for Population, Cities and Urban Infrastructure (being the responsible minister) and Senator the Hon Mathias Cormann, Minister for Finance.

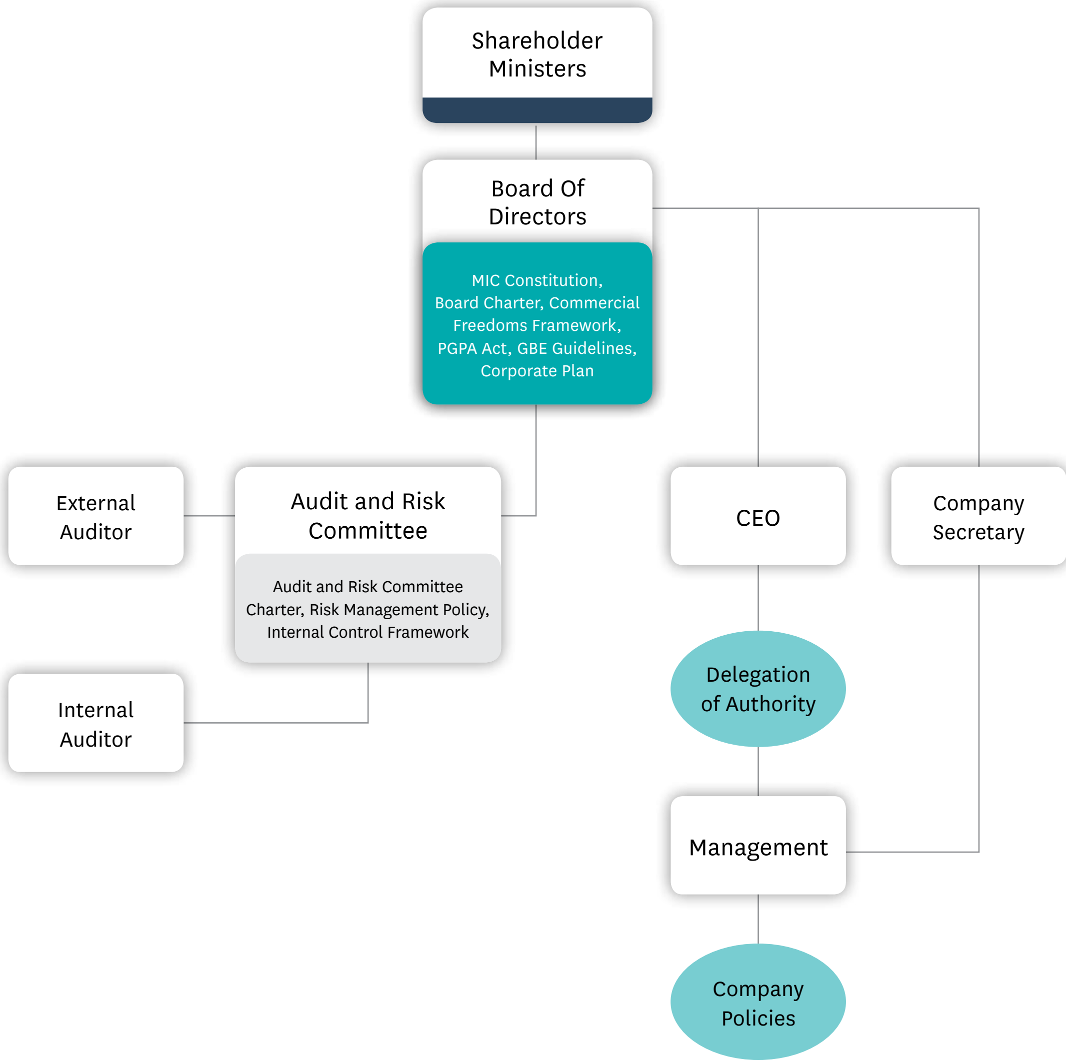
SHAREHOLDER COMMUNICATION

MIC regularly reports to its shareholder ministers, in compliance with the PGPA Act and the GBE Guidelines. Under the GBE Guidelines, MIC submitted its 2019–23 Corporate Plan and Statement of Corporate Intent to its shareholder ministers in August 2019. MIC will continue to provide an updated Corporate Plan and Statement of Corporate Intent to its shareholder ministers on an annual basis.

MIC's Annual Report is submitted to the responsible minister in accordance with section 97 of the PGPA Act. The Auditor-General is required by the PGPA Act to audit the financial report of MIC. The Australian National Audit Office (ANAO) assists the Auditor General in performing those functions.

As a GBE, MIC is subject to Parliamentary scrutiny and is required to keep shareholder ministers informed of activities, issues and decisions affecting the company.

Moorebank Intermodal Company Corporate Governance Framework



The Board

ROLE AND RESPONSIBILITIES

The board has ultimate responsibility for the performance of MIC and is fully accountable to its shareholder ministers.

The role of the board is to provide strategic guidance for the company and effective oversight of management. The board is accountable to the shareholder ministers and has ultimate responsibility for:

- providing overall strategic guidance, governance, setting the risk appetite, effective oversight of management and the performance of the company; and
- implementing an effective governance framework to support its role and responsibilities.

MIC is committed to working to meet stakeholder and community expectations of robust and best practice corporate governance to ensure MIC: achieves its intended purpose; complies with all relevant laws, codes and directions; and meets expectations of probity, accountability and transparency.

The *Corporations Act 2001* and the MIC constitution establish and define the corporate powers of MIC, which are exercised by the board, unless exercised by the shareholder ministers under the constitution.

The MIC Board Charter sets out the powers and responsibilities of the board. The charter is reviewed annually by the board.

The board's key responsibilities include:

- setting the strategic direction of MIC, consistent with the objects established in the constitution, and monitoring the implementation of the Company's strategy and performance;
- providing recommendations to the shareholder ministers relating to board composition and membership;
- overseeing and setting the policy framework for implementing strategies to ensure the health and safety of the Company's employees and protecting the environment and the community;
- appointing and removing the Chief Executive Officer, following consultation with the shareholder ministers;
- evaluating the performance and remuneration for the CEO;
- setting the limits of authority for management to commit to new contracts or expenditure;
- approving and monitoring the effectiveness of the Company's corporate governance framework, policies and procedures, and compliance with legal and regulatory obligations, including protecting the ethical and corporate governance standards of MIC;
- annually approving the Statement of Corporate Intent for publication;
- adopting a framework for reviewing, authorising and reporting on MIC's financial position; and
- annually approving the Annual Report and submitting the Annual Report to the shareholder ministers.

Responsibility for the day-to-day management of the company is delegated to the CEO and management. The board has reserved for itself certain powers and authorities, which align to those matters in respect of which the company may not proceed to act without the prior approval of its shareholders. The company's delegations of authority clarify the respective roles and responsibilities of board members and senior executives to facilitate board and management accountability to the company and its shareholders.

BOARD COMPOSITION AND APPOINTMENT OF DIRECTORS

Under MIC's constitution, the board is to consist of not less than three and not more than nine directors. The Chair is appointed by the shareholder ministers in accordance with the constitution.

The board currently comprises eight non-executive directors. Directors are appointed by the shareholder ministers in accordance with the requirements of MIC's constitution and the GBE Guidelines. On appointment, each director receives a formal letter of appointment from the shareholder ministers. The term of each director is determined by the Commonwealth at the time of appointment. This is usually for a term of three years. At the end of this period, the director will retire but is eligible for reappointment.

CHAIR

Kerry Schott AO, an independent non-executive director, was appointed chair on 13 December 2012, re-appointed on 13 December 2015 for a further 3-year term and on 13 December 2018 for a subsequent 12-month term.

The Chair of the board is responsible for the leadership of the board and for the efficient and proper functioning of the board, including maintaining relationships with the shareholders.

BOARD PERFORMANCE

In line with the GBE Guideline requirements, the board annually reviews: the performance of the board as a whole; each director, including the Chair; and board processes.

The Chair provides the shareholder ministers with written confirmation that this review process has been followed and raises any areas of concern.

MIC's annual assessment of board performance during the reporting period comprised an external assessment of the board's function, size and directors' skills, consistent with the GBE Guidelines.

A report on all recommendations from the review was discussed with the board and then with the shareholder ministers, and an agreed action plan implemented.

BOARD DIVERSITY

MIC fosters a governance culture that embraces diversity in the composition of boards. As at 30 June 2019, MIC's board had three female directors.

DIRECTOR INDUCTION AND EDUCATION

MIC has an induction program for new directors, reviewed periodically by the company secretary, which includes a meeting with management, a tour of the precinct development site and a detailed manual with information on the company's corporate plan and other reporting arrangement, company policies, legislative requirements and meeting arrangements. The board has regular discussions with the CEO and management, and directors are invited to attend the precinct development site from time to time.

Ongoing education for directors is provided through updates, presentations and briefings at board meetings.

CONFLICTS OF INTEREST

The directors of MIC are obliged to disclose to the company any interests or directorships they hold with other organisations and to provide updated information in a timely manner, being a standing agenda item at each board meeting.

A register of interests is maintained by the company to manage any potential conflicts of interest, and this is tabled at each board meeting.

On an annual basis, each director is requested to complete a declaration of personal interests, which is subject to review by the board. Where a director:

- has a declared material personal interest; or
- may be presented with a potential material conflict of interest, the director will not participate in any discussion or voting when the matter is being considered at the board or committee meeting. All disclosures made by a director are minuted and a register of conflicts is maintained.

INDEPENDENT PROFESSIONAL ADVICE

With the agreement of the Chair, directors may seek independent professional advice, at MIC's expense, in carrying out their duties.

Each director has direct access to management and any MIC information they require to make informed decisions and fulfil their responsibilities as directors of the MIC board.

Board committees

The board established the Audit and Risk Committee on 15 March 2013.

The committee is chaired by a non-executive director and comprises a majority of independent non-executive directors. Membership of the committee is based on directors' qualifications, skills and experience. The committee is governed by a charter detailing the committee's role, membership requirements and duties.

The committee charter is reviewed periodically.

Effective from 7 May 2016, the board resolved to deal with all business as a whole, apart from the Audit and Risk Committee.

AUDIT AND RISK COMMITTEE

In accordance with the requirements of the GBE Guidelines, the Audit and Risk Committee consists of four members, each being an independent non-executive director. The Chair of the committee, Mr Andrew Harrison, is an independent non-executive director appointed by the board and is not the Chair of the board.

The role of the committee is to assist the board in satisfying itself that MIC and its subsidiaries are complying with the financial management and reporting obligations imposed by the PGPA Act, the Public Governance and Accountability Rule 2014, the GBE Guidelines and the Corporations Act 2001, and provides a forum for communication between the board, MIC management, and MIC's internal and external auditors.

The committee supervises the preparation of periodic financial statements of MIC and its subsidiaries to ensure compliance with financial reporting requirements. It also monitors and reviews the: effective management of financial risks; application of up-to-date accounting policies; development and maintenance of effective and efficient internal and external audit processes; maintenance of auditor independence; and compliance with applicable laws and regulations. During the reporting period, the committee met separately with MIC's external auditors.

Membership of the committee, the number of meetings during the period 1 July 2018 to 30 June 2019 and the number of meetings attended is set out in the Directors' Report.

DIRECTORS' REMUNERATION

The Remuneration Tribunal determines the remuneration and travel allowances payable to non-executive directors. Full details of directors' remuneration are included in the Financial Statements on pages 52 - 84.

SENIOR EXECUTIVES REMUNERATION

The Remuneration Tribunal also determines the remuneration of the CEO, although the board has some discretion within limits set by the tribunal. The remuneration of the other senior executives is set by the CEO and the board following an annual market benchmarking exercise. Full details of senior executives' remuneration are included in the Financial Statements on pages 42-71.

SUCCESSION PLANNING

In accordance with GBE Guidelines, MIC has adopted a senior executive succession plan to manage the absence of key management personnel, whether short-term, long-term or permanent, and whether planned or unplanned.

Accountability and audit

EXTERNAL AUDIT

Under section 98 the Public Governance, Performance and Accountability Act 2013, the Auditor-General is responsible for auditing the financial statements of MIC. In addition, MIC's annual report is tabled in Parliament and its financial accounts are lodged with ASIC.

As permitted by section 27 of the Auditor General's Act, the ANAO contracted KPMG in Sydney to assist with the conduct the audit on behalf of the Auditor-General.

The Audit and Risk Committee invites the external auditor to each committee meeting and papers for each meeting are provided to both the ANAO and KPMG, noting the following matters that the committee considers:

- discussion of the external audit plans, identify any significant changes in operations, internal controls or accounting policies likely to impact the financial statements;
- review of the results and findings of the auditor, the adequacy of internal controls and monitor the implementation of any recommendations made; and
- finalising annual reporting, review the preliminary financial statements prior to signoff and any significant adjustments required as a result of the external auditor's findings.

MIC applies audit independence principles in relation to the external auditor.

CERTIFICATION BY CEO AND CFO

Prior to the approval each year of the annual financial statements by the board of directors, the CEO and the CFO provide confirmation in writing that the statements represent a true and fair view of MIC's operations and its financial position. The letter also includes representation to the board in respect of the adequacy and effectiveness of MIC's risk management, internal compliance and control systems.

Based on the evaluation performed as at 30 June 2019, the CEO and CFO concluded that: as of the evaluation date, such risk management, internal compliance and control systems were reasonably designed that the financial statements and notes of MIC are in accordance with the Public Governance, Performance and Accountability Act 2013 and the Corporations Act 2001; and there are reasonable grounds to believe MIC will be able to pay its debts as and when they fall due.

INTERNAL CONTROL FRAMEWORK

The board is responsible for the overall internal control framework and for reviewing its effectiveness.

MIC's internal control framework is intended to meet the objectives of:

- ensuring completeness of financial reporting;
- safeguarding the company's assets;
- complying with applicable laws and regulations;
- ensuring effectiveness and efficiency of operations;
- maintaining proper accounting records;
- preventing, detecting and correcting irregularities; and
- identifying and mitigating business risks.

A number of internal controls have been implemented to provide for the accuracy of the financial statements and integrity of business systems.

These internal controls include the form of appropriate delegations of authority, a risk management framework, financial planning and reporting, strategic planning and operational policies and practices.

RISK MANAGEMENT

MIC has a Risk Management Framework and continues to maintain and update a comprehensive risk register that captures the material business risks facing the company.

The Audit and Risk Committee oversees the Risk Management Framework, in particular:

- the adequacy of policies and procedures for the oversight and management of material business risks;
- the design and implementation of effective risk management and internal control systems for identifying, assessing, monitoring and managing MIC's material business risk; and
- reporting to the board on whether those risks are being managed effectively.

INTERNAL AUDIT

In October 2016, the Audit and Risk Committee approved the appointment of Ernst & Young as internal auditor for a further three-year term.

An internal audit plan is presented to and endorsed annually by the Audit and Risk Committee. Outcomes of the internal audit reviews are provided to the committee for its review.

BUSINESS IMPROVEMENT PROGRAM

MIC is currently undertaking a business improvement program. Some initiatives are in response to the comments raised in the ANAO's second performance audit conducted in 2018, particularly in the areas concerning procurement, corporate expenses, credit cards, and the gifts and benefits program.

The Audit and Risk Committee is overseeing and monitoring the progress of the business improvement program. Once the relevant policies are developed, they will be introduced across the business, supported by appropriate training and reviews with the intention of fully implementing the programs by 30 June 2020.

ETHICAL STANDARDS AND GOVERNANCE POLICIES

MIC is committed to a culture of high ethical standards and accountable conduct. This includes creating and maintaining an open working environment in which its employees, directors and contracted service providers (and their employees and officers) are able to raise concerns regarding suspected unethical, unlawful or undesirable conduct or wrongdoing without fear of reprisal.

MIC's Code of Conduct sets out the standards and behaviour by which MIC will conduct business.

PUBLIC INTEREST DISCLOSURE ACT

MIC is subject to the Public Interest Disclosure Act 2013 and has adopted procedures to ensure the company supports and complies with the requirements of the act. The purpose of the PID Act is to promote the integrity and accountability of the Commonwealth public sector by:

- encouraging and facilitating the making of public interest disclosures of wrongdoing by current and former public officials (being employees and directors of MIC, contracted service providers and officers/employees of contracted service providers);
- ensuring that disclosers are supported and protected from adverse consequences related to making a disclosure; and
- ensuring that disclosures are properly investigated and dealt with. MIC supports reporting by staff at all levels.

MIC supports protecting those who make such reports from victimisation and discrimination.

MIC recognises the value of transparency and accountability in its administrative and management practices. A summary of MIC's procedures, the appointed MIC 'authorised officers' and how a disclosure under the Act can be made is on MIC's website http://www.micl.com.au/public-interestdisclosure-act-1.

No public interest disclosures were received or finalised in the reporting period.

CODE OF CONDUCT

MIC aims to carry out its business in an open and honest manner, while complying with all applicable legislation and laws. MIC has a Code of Conduct, which outlines expected standards of workplace behaviour applying to all directors, employees and contract staff.

The Code of Conduct is reviewed periodically.

EQUAL OPPORTUNITY

MIC'S Diversity and Equal Employment Opportunity Policy outlines MIC's commitment to promoting diversity in the workplace. MIC seeks to provide opportunities regardless of age, gender, physical ability, ethnicity or Indigenous background.

WHISTLEBLOWER POLICY AND FRAUD AND CORRUPTION REPORTING

As a GBE, MIC is committed to applying and adhering to the standards outlined in the Commonwealth Fraud Control Guidelines 2011. MIC recognises the importance of providing a safe, supportive and confidential environment where people feel confident about reporting wrongdoing without fear of retaliation and are supported and protected throughout the process. MIC has a Whistleblower Policy, Public Interest Disclosure Policy and a Fraud and Corruption Prevention Policy that support the company's commitment to maintaining an open working environment which encourage disclosure of improper conduct without fear of intimidation or reprisal.

The Whistleblower Policy provides a framework for escalating 'reportable or disclosable conduct'. This includes conduct that is illegal, improper, unethical or in breach of the company's corporate policies.

No public interest disclosures or reports pursuant to the Corporations Act 2001 (Cth) were received in the reporting period.

The Whistleblower Policy, Public Interest Disclosure Policy and Fraud and Corruption Prevention Policy are reviewed periodically.

PRIVACY

MIC has a Privacy Policy that sets out how MIC employees, contractors and consultants must manage any personal or sensitive information to comply with the requirements of the Privacy Act 1988 (Cth), as amended. The Privacy Policy is reviewed periodically.

A copy of the policy is on MIC's website at www.micl.com.au/privacy-policy.

FINANCIAL STATEMENTS

Moorebank Intermodal Company Ltd

(ACN 161 635 105)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue			
Finance income		1,065	668
Other operating income		24	1
Total revenue		**1,089**	**669**
Expenditure			
Employee benefits expense	4.1	(3,257)	(1,991)
Occupancy costs		(245)	(225)
Adviser costs	4.2	(2,684)	(1,850)
Contractor costs		(700)	(366)
Recruitment		(110)	(109)
Insurance		(162)	(153)
IT expenses		(176)	(120)
Travel costs		(76)	(67)
Depreciation and amortisation		(50)	(42)
Land and site costs	4.3	(105,135)	(82,050)
Other expenses		(591)	(295)
Total expenditure		**(113,186)**	**(87,268)**
Net finance income/(costs)			
Share of profit/(loss) of equity-accounted investees	12	12,240	(325)
Loss before income tax		**(99,857)**	**(86,924)**
Income tax benefit	5	30,373	25,433
Loss for the year		**(69,484)**	**(61,491)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	83,382	60,578
Other receivables	7	1,088	1,138
Other current assets		235	161
Related party receivable		2,935	-
Total current assets		**87,640**	**61,877**
Non-current assets			
Property, plant and equipment	9	101	135
Intangible assets	10	89	-
Assets under construction	11	124,127	51,087
Equity accounted investments	12	165,385	153,145
Financial assets	13	8,628	6,713
Other non-current assets		-	14,198
Deferred tax assets	5	64,521	34,148
Total non-current assets		**362,851**	**259,426**
Total assets		**450,491**	**321,303**
Liabilities			
Current liabilities			
Trade and other payables	14	7,355	17,819
Provisions	17	156,251	128,659
Total current liabilities		**163,606**	**146,478**
Non-current liabilities			
Provisions	17	44,673	37,862
Total non-current liabilities		**44,673**	**37,862**
Total liabilities		**208,279**	**184,340**
Net assets		**242,212**	**136,963**
Equity			
Contributed equity	18	380,733	206,000
Accumulated losses		(138,521)	(69,037)
Total equity		**242,212**	**136,963**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	**111,000**	**(7,546)**	**103,454**
Loss for the year	-	(61,491)	(61,491)
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	**-**	**(61,491)**	**(61,491)**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS			
Contributions of equity (Note 18)	95,000	-	95,000
Balance at 30 June 2018	**206,000**	**(69,037)**	**136,963**
Balance at 1 July 2018	**206,000**	**(69,037)**	**136,963**
Loss for the year	-	(69,484)	(69,484)
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	**-**	**(69,484)**	**(69,484)**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS			
Contributions of equity (Note 18)	174,733	-	174,733
Balance at 30 June 2019	**380,733**	**(138,521)**	**242,212**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Operating activities			
Receipts from customers		-	3,655
Payments to suppliers		(8,993)	(6,659)
Payments to employees		(3,209)	(2,065)
Interest received		1,065	668
Net cash flows used in operating activities	**19**	**(11,137)**	**(4,401)**
Investing activities			
Payments for property, plant and equipment		(16)	(27)
Payments for intangible assets		(89)	-
Payments for land and site costs		(138,772)	(51,361)
Payments for investments		(1,915)	(3,692)
Net cash flows used in investing activities		**(140,792)**	**(55,080)**
Financing activities			
Proceeds from equity funding		174,733	95,000
Net cash flows from financing activities		**174,733**	**95,000**
Net increase in cash and cash equivalents		22,804	35,519
Cash and cash equivalents at beginning of year		60,578	25,059
Cash and cash equivalents at 30 June	**6**	**83,382**	**60,578**

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

NOTES

TO THE FINANCIAL STATEMENTS

For the year end 30 June 2019

1. Corporate Information

The consolidated financial statements of Moorebank Intermodal Company Limited ("MIC" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on the date the directors report was signed.

Moorebank Intermodal Company Limited is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly owned by the Government of the Commonwealth of Australia ("Commonwealth Government"). MIC is a Government Business Enterprise, incorporated under the Corporations Act 2001 and operating under the Public Governance, Performance and Accountability Act 2013. The Company was incorporated on 13 December 2012.

The ultimate controlling entity of the Group is the Commonwealth Government.

The registered office and principal place of business of the Group is Suite 2, Level 9, 1 O'Connell Street, Sydney NSW 2000.

Further information on the nature of the operations and principal activities of the Group is provided in the directors' report. Information on the Group's structure is provided in Note 8. Information on other related party relationships of the Group is provided in Note 21.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the years presented.

a) Basis of preparation

The consolidated general-purpose financial report has been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board, the requirements of the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

Moorebank Intermodal Company Limited is a for-profit consolidated entity for the purpose of preparing the financial report.

The consolidated financial report is presented in Australian dollars. Values are rounded to the nearest thousand dollars unless otherwise stated, under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The consolidated financial report has been prepared on a going concern basis and in accordance with the historical cost convention, except for certain classes of non-current assets, financial assets and financial liabilities which are measured at fair value.

The Group has consistently applied the accounting policies set out below to all periods presented in this consolidated financial report.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Group

The Group applied AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time during the year, but do not have an impact on the consolidated financial statements of the Group.

New and revised standards that were issued on or prior to the signing date, and are applicable to the current reporting periods, did not have a material impact, and are not expected to have a material impact on the Group's financial report in future periods.

- **AASB 9**
  Financial Instruments
  (and applicable amendments)
  (effective from 1 January 2018)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. The classification and measurement requirements of AASB 9 did not have a material impact on the consolidated financial statements of the Group, but there have been some changes in the disclosures resulting from the adoption of the accounting standard.

- **AASB 15**
  Revenue from Contracts with Customers
  (effective from 1 January 2018)

AASB 15 supersedes AASB 118 Revenue, which covers contracts for goods and services, and AASB 111 Construction Contracts, which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.

As the Group had no income that meets the definition of "Revenue from contract with customers", the adoption of AASB 15 has resulted in no impact to the financial report.

(iii) New accounting standards and interpretations (not yet adopted)

- **AASB 16 *Leases***
  (effective from 1 January 2019)

The Group expects to apply AASB 16 Leases from 1 July 2019. This standard will require the net present value of payments under most operating leases to be recognised as assets and liabilities. The impact of adopting AASB 16 is not expected to have a significant impact on the Group.

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

b) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial report from the date on which control commenced until the date on which control ceases. Details of the Company's subsidiaries are shown in Note 8.

(ii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial report.

c) Going concern

The consolidated financial statements have been prepared on the going concern basis which assumes the Group will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date of issuing these consolidated financial statements.

As at 30 June 2019, the Group has net assets of $242 million (2018: $137 million) and a net current liability position of $76 million (2018: $85 million).

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the consolidated financial statements:

- The Group has $83.38 million in cash;
- There is sufficient equity available, under its equity funding agreement with the Commonwealth Government, to fund the Group's commitments; and
- The Group has $8.7 million of uncommitted funding.

Therefore, the directors have concluded it is appropriate to prepare the consolidated financial statements on the going concern basis.

d) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

e)Interest income

Interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in the consolidated statement of profit or loss and other comprehensive income.

f) Cash and cash equivalents

Cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; and other short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

g) Trade and other receivables

A receivable represents the Group's right to an amount that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Trade and other receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

h) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Leasehold improvements 1-3 years
- IT equipment 3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

i) Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment at each reporting date to determine whether there is any indication of impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or losses when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income.

A summary of the policies applied to the Group's intangible assets is, as follows:

Useful lives	7 years
Amortisation method used	Amortisation on a straight-line basis
Internally generated or acquired	Acquired

k) Assets under construction

Assets under construction relates to the construction of the rail access works and has a forecast completion date of February 2020. Once operational the rail line will be classified as property, plant and equipment and depreciated over the lease contract term.

l) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise a 65.63 per cent unitholding in Moorebank Precinct Land Trust.

Under the equity method, the investment in an joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) , and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loans to related parties included under other non-current financial assets.

Derecognition

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the asset expire;
- it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; or
- it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

n) Other non-current assets

Other non-current assets are measured at cost less accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

o) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year and are unpaid and are measured at cost. The amounts are unsecured and are paid usually within 30 days of recognition.

q) 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.

r) Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance sheet date are measured at their nominal amounts.

s) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

t) Taxation

On 29 June 2017, the Group voluntarily adopted the Tax Transparency Code, released by the Australian Board of Taxation in February 2016. Reporting commenced in the financial year 2017-2018 financial statements. All disclosure requirements of Part A of the code are presented in Note 5.

(i) Income tax
The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The deferred tax asset has been recognised based on the current divestment strategy forecast to occur in the mid term.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(ii) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated Goods and Services Tax (GST), unless the GST incurred is not recoverable from the Australian Taxation Office. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivable and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivable and payables in the consolidated statement of financial position.

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 Australian Taxation Office are presented as operating cash flows.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as described below. The Group based its assum ptions and estim ates on parameters available when the consolidated financial statem ents were prepared. Existing circum stances and assum ptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for land and site works

The provision for land and site works, outlined in Notes 4.3 and 17, recognises the Group's estimated contractual obligation to prepare the land ready for development. Cost estimates have been based on advice provided by qualified specialist consultants using preliminary designs which are not yet approved for construction.

There is a significant level of uncertainty about the final quantum of these costs, along with the timing of the economic outflow.

4. Expenses

	2019 $'000	2018 $'000
4.1 EMPLOYEE BENEFITS		
Wages and salaries	3,041	1,822
Defined contribution superannuation expense	216	169
Total employee benefits expense	**3,257**	**1,991**
4.2 ADVISER COSTS		
Technical consultant fees	85	107
Commercial fees	-	79
Legal fees	2,232	1,105
Stakeholder management	107	328
Financial/governance	242	216
Other	18	15
Total adviser costs	**2,684**	**1,850**
4.3 LAND AND SITE COSTS		
Land and site costs	105,135	82,050
Total land and site costs	**105,135**	**82,050**

Land and site costs recognises the Group's estimated contractual obligation to prepare the land ready for development. Cost estimates have been based on advice provided by qualified specialist consultants using preliminary designs which are not yet approved for construction.

There is a significant level of uncertainty about the final quantum of these costs, along with the timing of the economic outflow.

4.4 MINIMUM LEASE PAYMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS		
Minimum lease payments recognised as an operating lease expense	212	203
Minimum lease payments recognised as an operating lease expense	**212**	**203**

5. Income tax

	2019 $'000	2018 $'000
(A) INCOME TAX BENEFIT		
Adjustments in respect of deferred income tax of previous year	(416)	643
Deferred tax in respect of the current year	(29,957)	(26,076)
Income tax benefit	**(30,373)**	**(25,433)**
LOSS BEFORE INCOME TAX BENEFIT	**(99,857)**	**(86,924)**
Tax at the Australian tax rate of 30%	(29,957)	(26,077)
Permanent differences	-	1
(Over)/under provision	(416)	643
Income tax benefit	**(30,373)**	**(25,433)**

	ETR	2019 $'000	ETR	2018 $'000
(B) EFFECTIVE TAX RATES				
Loss before income tax		(99,857)		(86,924)
Income tax calculated at 30%	**30.00%**	**(29,957)**	**30.00%**	**(26,077)**
Permanent differences - entertainment	-%	-	-%	1
Prior year adjustments	0.87%	(416)	(0.82%)	712
Income tax benefit	**30.87%**	**(30,373)**	**29.18%**	**(25,364)**

DEFERRED TAX	PROJECT COSTS	PROVISION AND ACCRUALS	USED TAX LOSSES AND CREDITS	TOTAL
Opening balance	2,687	24,785	6,677	34,149
Movement: Provision and accruals	-	28,150	-	28,150
Movement: Project costs	35	-	-	35
Movement: Current year losses	-	-	1,760	1,760
Return to provisions	124	-	303	427
Closing balance	**2,846**	**52,935**	**8,740**	**64,521**

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The recognition of the deferred tax asset of $64 million is considered appropriate following an assessment of the overall forecast profit and taxation position.

Movements	2019 $'000	2018 $'000
Opening balance at 1 July	**34,148**	**8,715**
Credited to the consolidated statement of profit and loss and other comprehensive income	30,373	25,433
Closing balance at 30 June	**64,521**	**34,148**

6. Current assets - Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank	83,382	60,578
Total	**83,382**	**60,578**

The Group's exposure to interest rate risk is discussed in Note 20.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

7. Current assets - Other receivables

	2019 $'000	2018 $'000
GST receivable	1,088	1,138
Total	**1,088**	**1,138**

8. Non-current assets - Investment in controlled entities

Subsidiary	Principal Activities	Country of Incorporation	Ownership Interest 2019	2018
Moorebank Intermodal Development Investment Nominees Pty Ltd	Trustee (Dormant)	Australia	100%	100%
Moorebank Intermodal Development Rail Nominees Pty Ltd	Trustee (Dormant)	Australia	100%	100%

Trust	Principal Activities	Country of Incorporation	Ownership Interest 2019	2018
Moorebank Intermodal Development Investment Trust	Trading	Australia	100%	100%
Moorebank Intermodal Development Rail Trust	Trading	Australia	100%	100%

9. Non-current assets – Property, plant and equipment

	Leasehold improvements $'000	IT Equipment $'000	Total $'000
YEAR ENDED 30 JUNE 2018			
Opening net book value	150	-	150
Additions	-	27	27
Depreciation charge	(37)	(5)	(42)
Net book value	**113**	**22**	**135**
AS AT 30 JUNE 2018			
Cost	184	29	213
Accumulated depreciation	(71)	(7)	(78)
Net book value	**113**	**22**	**135**
YEAR ENDED 30 JUNE 2019			
Opening net book value	113	22	135
Additions	2	14	16
Depreciation charge	(38)	(12)	(50)
Net book value	**77**	**24**	**101**
AS AT 30 JUNE 2019			
Cost	185	43	228
Accumulated depreciation	(108)	(19)	(127)
Net book value	**77**	**24**	**101**

10. Non-current assets – Intangible assets

	Software $'000
YEAR ENDED 30 JUNE 2019	
Opening net book value	-
Additions	89
Amortisation	-
Net book value	**89**
AS AT 30 JUNE 2019	
Cost	89
Accumulated amortisation	-
Net book value	**89**

11. Non-current assets – Assets under construction

	2019 $'000	2018 $'000
Opening balance	51,087	19,533
Additions	73,040	31,554
Total	**124,127**	**51,087**

Assets under construction represents work on the construction of a rail access line connecting the intermodal terminal to the SSFL.

12. Non-current assets – Equity accounted investees

	2019 $'000	2018 $'000
Investment in joint ventures		
Opening balance	153,145	153,470
Share of profit/(loss) of equity-accounted investees	12,240	(325)
Closing balance	**165,385**	**153,145**

Moorebank Precinct Nominees Pty Limited as trustee for the Moorebank Precinct Land Trust, is a unit trust formed by MIC Land Trust and Qube. MIC Land Trust owns 65.63 per cent of the units within Moorebank Precinct Land Trust.

Moorebank Precinct Land Trust holds the Commonwealth land and Qube land via 99-year leases. Upon completion of each developed area, Moorebank Precinct Land Trust will sub-let the relevant developed land to a subsidiary of Qube for operation of the terminals and warehouses. Moorebank Precinct Land Trust is a non-operational entity with its purpose being the collection and distribution of rental income, and management of the Commonwealth land and the Qube land as landlord.

The investment in Moorebank Precinct Land Trust was recognised at fair value. Upon financial close, an independent valuer was engaged to provide an indicative valuation based the discounted cash flow method, assessing the indicative fair market value of the entity. The mid-point value, using a discount of 7.2 per cent was $270.4 million, with the MIC Land Trust's 65.63% share being $177.5 million.

	2019 $'000	2018 $'000
CURRENT ASSETS	**3,829**	**2,469**
Non-current assets	271,251	244,312
Current liabilities	(8,832)	(3,200)
Non-current liabilities	(14,246)	(10,228)
Net assets	252,002	233,353
Group's share of net assets (65.63%)	**165,392**	**153,152**
Units	(7)	(7)
Carrying amount of interest in joint venture	**165,385**	**153,145**
Revenue	27,158	7,165
Expenses	(8,509)	(7,660)
Loss and total comprehensive income/(loss)	**18,649**	**(495)**
Group's share of total comprehensive income/(loss) (65.63%)	**12,240**	**(325)**

13. Non-current assets – Financial assets

	2019 $'000	2018 $'000
Non-interest-bearing loans to related parties	8,628	6,713
Total	**8,628**	**6,713**

The balance at 30 June 2019 relates to a non-interest-bearing working capital loan to Moorebank Precinct Land Trust. Funds are provided to support the activities of the trust and are bound by a unitholders loan agreement. Repayment of the loan is the earlier of the date specified in the original funds request or the tenth (10^{th}) anniversary of the request.

14. Trade and other payables

	2019 $'000	2018 $'000
Accruals	7,339	5,465
Trade payables	16	12,286
Other payables	-	68
	7,355	**17,819**

Trade payables are settled within 30 days. Accruals primarily relate to rail access works performed in June 2019. Information about the Group's exposure to interest rates and liquidity risk is set out in Note 20.

15. Operating leases

	2019 $'000	2018 $'000
Within one year	221	211
Later than one year but not later than five years	249	470
	470	**681**

The Group entered into a non-cancellable property lease (for its premises at 1 O'Connell St, Sydney) effective from 1 August 2016 with a term of five years. Fixed rental provisions within the lease agreement require that the minimum lease payments shall be increased by 4.25 per cent per annum.

The Group entered into a non-cancellable parking lease effective from 1 August 2016 with a term of five years, which is subject to market review increases.

16. Contingent assets and liabilities

As at 30 June 2019, the Group does not have any contingent assets and liabilities (2018: None).

17. Provisions

	Leasehold Incentive $'000	Employee Benefits $'000	Land and site costs $'000	Total $'000
At 1 July 2018	**83**	**32**	**166,406**	**166,521**
Provisions made during the year	-	48	106,143	106,191
Provisions used during the year	(27)	-	(59,789)	(59,816)
Provisions reversed during the year	-	-	(11,972)	(11,972)
At 30 June 2019	**56**	**80**	**200,788**	**200,924**
Current	27	80	156,144	156,251
Non-current	29	-	44,644	44,673
	56	**80**	**200,788**	**200,924**

Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave.

Land and site costs

Land and site costs recognises the Group's estimated contractual obligation to prepare the land ready for development. Cost estimates have been based on advice provided by qualified specialist consultants using preliminary designs which are not yet approved for construction.

There is a significant level of uncertainty about the final quantum of these costs, along with the timing of the economic outflow.

18. Contributed equity

a) Share capital	2019 $'000	2018 $'000
Fully paid	380,733	206,000
	380,733	206,000
Number of ordinary shares	**380,733,000**	**206,000,000**

b) Movements in ordinary share capital Date	Details	Number of shares	$'000
30 Jun 2017	**Balance**	**111,000,000**	**111,000**
20 September 2017	Equity injection No. 12	10,000,000	10,000
30 November 2017	Equity injection No. 13	30,000,000	30,000
18 April 2018	Equity injection No. 14	50,000,000	50,000
24 May 2018	Equity injection No. 15	5,000,000	5,000
30 June 2018	**Balance**	**206,000,000**	**206,000**
14 December 2018	Equity injection No. 16	90,000,000	90,000
10 April 2019	Equity injection No. 17	84,733,000	84,733
30 June 2019	**Balance**	**380,733,000**	**380,733**

Ordinary shares
The Group does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. 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 fully paid share is entitled to one vote. The holders of these shares are entitled to receive dividends as declared from time to time.

19. Reconciliation of (Loss) for the year to net cash outflow from operating activities

	2019 $'000	2018 $'000
Loss after tax	(69,484)	(61,491)
ADJUSTMENTS FOR:		
Depreciation and amortisation	50	42
Land and site costs	105,135	82,050
Non-cash taxation benefit	(30,373)	(25,433)
Share of (profit)/loss of equity-accounted investees, net of tax	(12,240)	325
Operating loss before changes in working capital and provisions	**62,572**	**56,984**
Changes in related party receivables	(4,000)	(1,057)
Changes in other current assets	(74)	25
Changes in non-current assets	-	(96)
Changes in trade and other payables	(172)	1,261
Changes in provisions	48	(27)
Changes in non-current liabilities	(27)	-
Net cash flows used in operating activities	**(11,137)**	**(4,401)**

20. Financial risk management

The Group's principal financial instruments comprise cash, loans to related parties and payables. The carrying amount equates to the fair value of the financial instruments. These activities expose the Group to interest rate risk, credit risk and liquidity risk.

As at 30 June 2019, the Group held the following financial instruments:

	2019 $'000	2018 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	83,382	60,578
Non-interest-bearing loans to related parties	8,628	6,713
Related party receivable	2,935	-
Other receivables	1,088	1,138
Total	**96,033**	**68,429**
FINANCIAL LIABILITIES		
Trade payables	16	12,354
Accruals	7,339	5,465
Total	**7,355**	**17,819**

20.1 Financial risk management policies

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets. Risk management policies are approved and reviewed by the Board.

a) Credit risk
All cash and cash equivalents are held with AA rated financial institutions within Australia and therefore credit risk is considered minimal.

b) Liquidity risk
Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group is not currently exposed to any significant liquidity risk on the basis it has access to additional cash through an equity funding agreement with the Commonwealth of Australia.

c) Market risk
Exposure to interest rate risks arises on interest-bearing financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect either the future cash flows or the fair value financial instruments.

At 30 June 2019, the Group had no interest-bearing financial liabilities.

20.2 Measurement of fair value

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability are categorised as different levels, then the fair value measurement is categorised in its entirety in the same level as the lowest level input that is significant to the entire measurement.

The Group recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The carrying amounts of receivables and payables are assumed to approximate their fair value due to their short-term nature.

Further information about the assumptions made in measuring fair value is included in the accounting policy for equity-accounted investees.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 JUNE 2019				
Property, plant and equipment	-	-	101	101
Assets under construction	-	-	124,127	124,127
Equity accounted investees	-	-	165,385	165,385
Related party receivable	-	-	2,935	2,935
Other receivables	-	-	1,088	1,088
Non-interest-bearing loans to related parties	-	-	8,628	8,628
Total	**-**	**-**	**302,264**	**302,264**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 JUNE 2018				
Property, plant and equipment	-	-	135	135
Assets under construction	-	-	51,087	51,087
Equity accounted investees	-	-	153,145	153,145
Other receivables	-	-	1,138	1,138
Non-interest-bearing loans to related parties	-	-	6,713	6,713
Total	**-**	**-**	**212,218**	**212,218**

The table below shows reconciliation of opening balances to closing balances for fair value measurements in Level 3 of the fair value hierarchy. There has been no change in hierarchy during the current year.

	2019 $'000	2018 $'000
Balance as at 1 July	212,218	176,256
Additions	77,856	36,329
Total gains and losses recognised in:		
Profit and loss	12,190	(367)
Balance as at 30 June	**302,264**	**212,218**

20.3 Valuation techniques

The following describes the valuation technique used in measuring Level 3 fair values as well as the significant unobservable inputs used.

a) Discount Cashflow Method
The investment in Moorebank Precinct Land Trust was recognised at fair value, upon financial close. An independent valuer was engaged to provide an indicative valuation based the discounted cash flow method, assessing the indicative fair market value of the entity. The mid-point value, using a discount of 7.2 per cent was $270.4 million, with the MIC's 65.63 per cent share being $177.5 million.

b) At cost
Property, plant and equipment, leasehold hold improvements, is held at cost less accumulated depreciation. The asset is amortised over the lease term of five years.

21. Related party transactions

The Group's main related parties are as follows:

a. Ultimate controlling entity

The ultimate controlling entity of the Group is the Government of the Commonwealth of Australia. Refer to Note 18 for the equity contributions received during the year.

b. Directors

A director related entity includes any legal, administrative or fiduciary arrangement, organisational structure or other party, including a person, having the capacity to deploy equity instruments in order to achieve objectives. The entity must be under joint or overall control or significant influence of a director or his/her related parties. There were no related party transactions with directors during the year.

There were no loans to directors during the year.

22. Directors and key management personnel disclosures

a. Directors

All directors of MIC are non-executive, appointed by the Shareholder Ministers. The Commonwealth Remuneration Tribunal determines annual fees for the Chair and directors.

The following table sets out the non-executive director fee entitlements:

Position	ENTITLEMENT From 1 July 2019 $	 From 1 July 2018 $
Chair	119,180	116,840
Deputy Chair	95,350	-
Non-executive director	59,590	58,420

The following persons were directors of Moorebank Intermodal Company Limited during the financial year:

i. Chair
K Schott AO

ii. Non-executive director

P Binsted	(Resigned: 7 May 2019)
L Di Bartolomeo	(Appointed Deputy Chair: 26 March 2019)
C Filson	(Resigned: 12 December 2018)
R Wilson	
J Briggs	
C Holman	(Appointed: 26 July 2018)
A Harrison	(Appointed: 26 July 2018)
E Flaherty	(Appointed: 26 March 2019)
J Lloyd	(Appointed: 1 June 2019)

b. Key management personnel

The Remuneration Tribunal also determines a Total Remuneration Reference Rate for Principal Executive Officers. The Company's board has the discretion to determine remuneration from 10 per cent below to 5 per cent above the reference rate, and can also award a performance bonus of up to 20 per cent of the reference rate. For the period until June 2019, the annual reference rate for the Chief Executive Office was $599,046.

The remuneration of the Company's other senior executives is determined by the CEO annually, based on the Australian Public Service Commissions review guidance, an evaluation of current market rates for roles involving sim ilar responsibilities and capabilities, and the perform ance of the person in the past year against pre-determined personal performance indicators.

Chief Executive Officer
P Hicks

General Counsel / Company Secretary
J Webster

Delivery Director
A Vaccaro

Chief Financial Officer
J Latham Hall

The CEO is eligible for an annual 20% bonus.

Position	Year	Short Term benefits Base salary / fees $	STI / Bonusses $	Non-cash benefits $	Post employment Super $	Total remuneration $
Chief Executive Officer	FY 17-18	540,911	76,000	-	20,049	636,960
Chief Executive Officer (26th November 2018 to 30 June 2019)	FY 18-19	300,864	-	-	20,049	320,913
Chief Financial Officer	FY 17-18	178,073	10,000	-	16,927	205,000
	FY 18-19	191,111	9,000	-	19,010	219,121
General Counsel	FY 17-18	329,874	42,000	18,882	20,049	410,805
	FY 18-19	330,793	40,000	19,386	20,049	410,228
Delivery Director	FY 17-18	329,951	25,000	-	20,049	375,000
	FY 18-19	338,703	30,000	-	20,049	388,752
Total executive management	**FY 17-18**	**1,717,512**	**183,000**	**18,882**	**97,123**	**2,016,517**
	FY 18-19	**1,161,471**	**79,000**	**19,386**	**79,157**	**1,339,014**

From 1 July 2018 to 26 November 2018 David Jurd was Interim CEO on a short-term contract. His total remuneration as Interim CEO was $250,200.
Ian Hunt was the CEO from 1 July 2017 to 30 June 2018.
Peter Hicks was appointed as CEO and commenced on the 26 November 2018.

c) Remuneration of directors and key management personnel

	2019 $	2018 $
Short-term employee benefits	2,013,834	1,913,000
Post-employment benefits	127,016	102,000
Total	**2,140,850**	**2,015,000**

23. Auditor's remuneration

	2019 $	2018 $
Australian National Audit Office		
Audit of financial report	120,000	94,000
	120,000	**94,000**

The financial statement audit services are provided to the Group by the Auditor-General. No other services were provided by the Auditor-General during the reporting period.

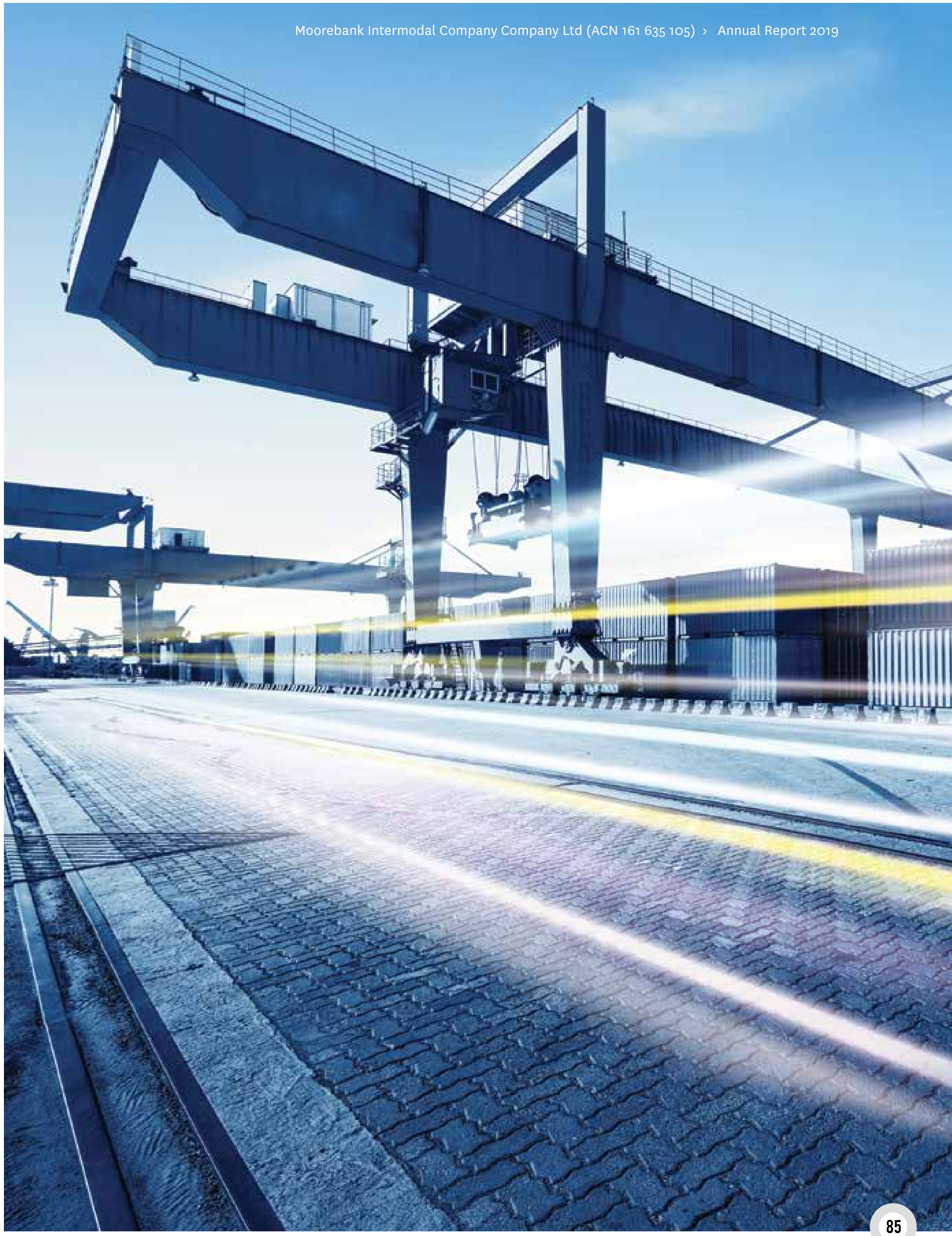
24. Information relating to Moorebank Intermodal Company Limited (Parent)

As at and throughout the financial year ended 30 June 2019 the parent company of the Group was Moorebank Intermodal Company Limited.

The individual financial report for the Moorebank Intermodal Company Limited shows the following aggregate amounts.

	2019 $'000	2018 $'000
RESULT OF THE PARENT ENTITY		
Profit for the year	23,960	21,607
Other comprehensive income	-	-
Total comprehensive income for the year	**23,960**	**21,607**
FINANCIAL POSITION OF THE PARENT ENTITY AT YEAR END		
Current assets	83,687	60,915
Non-current assets	324,077	148,884
Total assets	**407,764**	**209,799**
Current liabilities	683	1,059
Non-current liabilities	56	408
Total liabilities	**739**	**1,467**
Net assets	**407,025**	**208,332**
TOTAL EQUITY OF THE PARENT ENTITY		
Contributed equity	380,733	206,000
Retained earnings	26,292	2,332
Total equity	**407,025**	**208,332**

There were no commitments or contingencies as at 30 June 2019 (2018: none) of the Parent. Profit for the year includes an income tax benefit of $30.2 million (2018 : $25.4 million). Non-current assets include a deferred tax asset of $64.4 million (2018 : $34.1 million).



DIRECTORS' DECLARATION

MOOREBANK INTERMODAL COMPANY

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www.micl.com.au

ABN 64 161 635 105

For the year ending 30 June 2019

In the opinion of the Directors of Moorebank Intermodal Company Limited ("the Company"):

(a) the consolidated financial statements and notes set out on pages 52 to 84 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

(b) (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.

The directors draw attention to Note 1(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

On behalf of the board

Kerry Schott AO
Chair and Non-executive Director
21 September 2019

INDEPENDENT AUDITOR'S REPORT

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the members of Moorebank Intermodal Company Limited

Opinion

In my opinion, the financial report of Moorebank Intermodal Company Limited ('the Company') and its subsidiaries (together 'the Group') for the year ended 30 June 2019 is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and

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

The financial report of the Group, which I have audited, comprises the following statements as at 30 June 2019 and for the year then ended:

- Consolidated Statement of Profit or Loss and Other Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Statement of Cash Flows;
- Notes to the consolidated financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information; and
- Directors' Declaration.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the directors' report for the year ended 30 June 2019 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing matters, as applicable, related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

Australian National
Audit Office

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Scott Sharp

Executive Director

Delegate of the Auditor-General

Canberra

23 September 2019

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Public Governance, Performance and Accountability Act 2013 (PGPA Act)

For the year ended 30 June 2019

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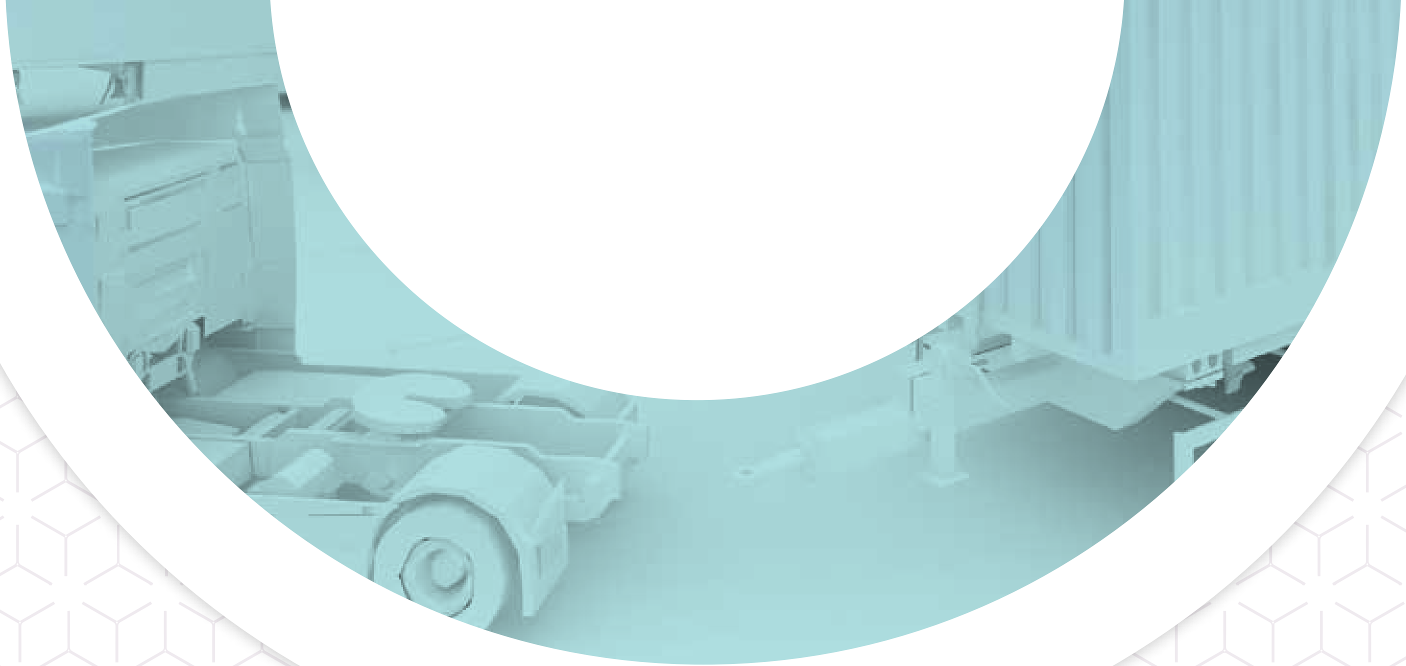
APPROVAL BY DIRECTORS



This Annual Report was approved by a resolution of the Directors of Moorebank Intermodal Company Limited, made on 21/09/2019.

Kerry Schott AO
Chair

MOOREBANK INTERMODAL COMPANY