MOOREBANK INTERMODAL COMPANY

ANNUAL REPORT 2018

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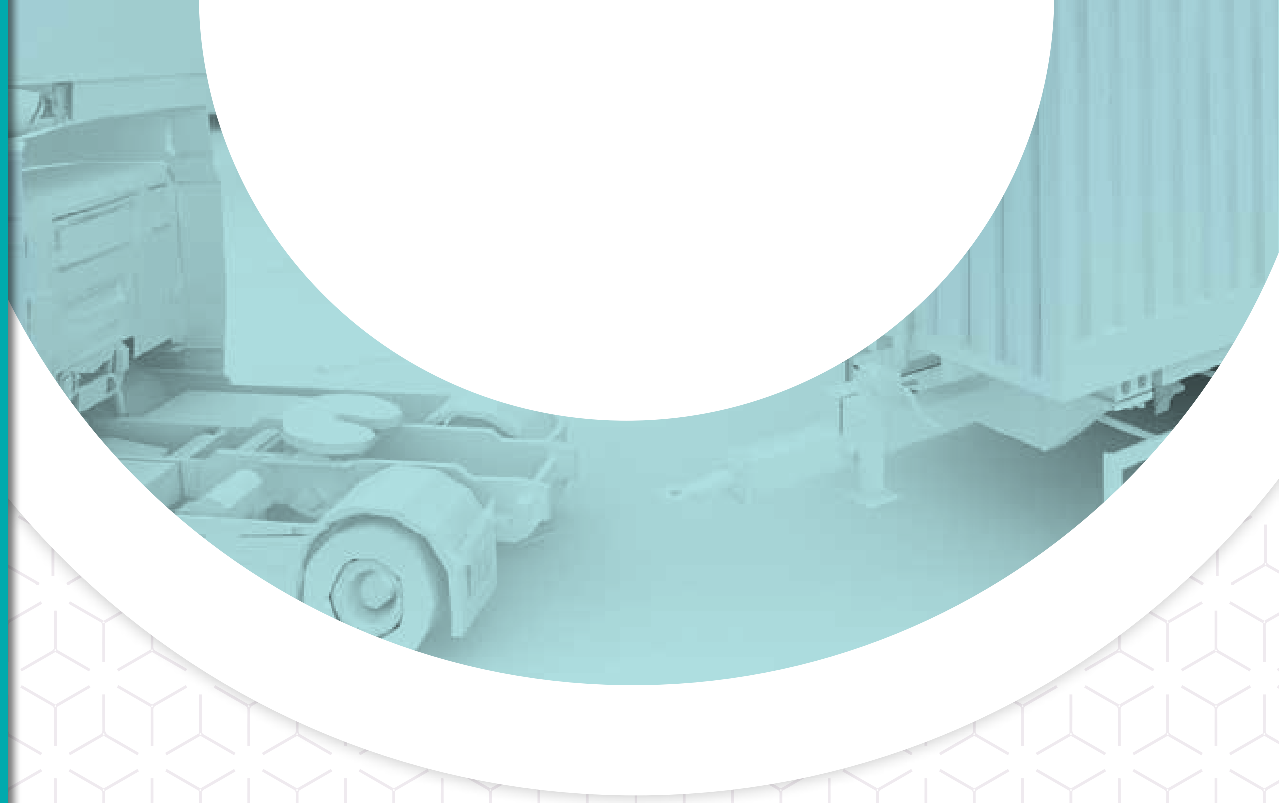


ABOUT

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, incorporated under the *Corporations Act 2001* and operating under the *Public Governance, Performance and Accountability Act 2013*. The organisation is a wholly owned Commonwealth Company represented by two shareholder ministers: the Minister for Urban Infrastructure and Cities (being the Responsible Minister), The Hon Paul Fletcher MP, and the Minister for Finance and the Public Service, 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 the 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 on a precinct comprising of land owned by the Commonwealth of Australia and adjacent land owned by Qube Holdings.

The development will comprise:

- an import-export (IMEX) terminal with a capacity to handle up to 1.05 million TEU (twenty foot equivalent units) a year of international containerised freight;
- an interstate terminal with a capacity to handle up to 500,000 TEU of interstate and regional freight per year;
- up to 850,000 sqm 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 & VALUE

Objectives

MIC's objectives for the Moorebank intermodal freight precinct are to:

- facilitate the development of an intermodal freight terminal at Moorebank, including an IMEX facility, an interstate freight terminal capable of catering for 1,800 metre 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 that shall be available on reasonably comparable terms to all rail operators and other terminal users;
- ensure the intermodal terminal operates 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 that are necessary, convenient or incidental to carrying out or for the attainment of these objectives.

In achieving these objectives, the Commonwealth tasked MIC with maximising private sector involvement and innovation at the terminal. After a competitive process, MIC entered agreements with Sydney Intermodal Terminal Alliance development (SIMTA) in June 2015, under which SIMTA will build and operate an intermodal freight precinct at Moorebank. MIC will oversee development of the Moorebank freight precinct to make sure SIMTA delivers the core components of the precinct infrastructure to the required standards. During operations, MIC's main role will be to monitor SIMTA's compliance with its obligation to provide access 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 model delivery.

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

Values

- **COLLABORATION** – We work as a team and promote team success, act in a spirit of cooperation, and foster good relations with all our colleagues (internal and external).
- **LEADERSHIP** – We believe in our vision and inspire others, influence others to achieve the best results, and take responsibility for solving problems.
- **INTEGRITY AND TRUST** – We are ethical, open and honest in all we do. We are dependable and reliable.
- **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.
- **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

MESSAGE FROM THE CHAIR AND CEO

MIC's first full year of overseeing the delivery of Moorebank Logistics Park saw critical path activities well underway. Planning for the Interstate terminal will begin shortly and the IMEX terminal is making progress, albeit the 2019 opening is expected to be delayed by about 6 months.

Completing early works

The year saw progress in demolition and site remediation. By year end, the demolition of buildings on the IMEX terminal footprint was complete and the demolition of buildings on the first area of warehousing had commenced. The IMEX terminal earthworks and pavement contract was well advanced.

By year end, the demolition works and initial remediation of the site of the former School of Military Engineering site were complete. All contaminated material have been excavated and most of the area has been backfilled. The final stages of the remediation scope is underway. Qube and MIC are in dispute about the scope and cost of the in-ground services removed and the parties are following the formal dispute process to seek resolution. In terms of rail infrastructure, the southern and northern turnouts were installed, giving the Moorebank Logistics Park direct northern and southern connections into the Southern Sydney Freight Line. The Georges River Bridge piling was also completed with bridge pier construction to begin in coming months. Construction between Georges River and Moorebank Avenue also progressed well. Ballast, track and signalling are all that remains to be completed. The rail works on Glenfield Waste Services land have not commenced and Qube has applied for an extension of time to complete the works.

Progressing development applications

On 31 January 2018, Qube was granted a development application for warehousing on Moorebank Precinct East. The development application for the interstate terminal and warehousing on Moorebank Precinct West is on hold pending agreeing with NSW Roads and Maritime Services the traffic mitigation measures required. Qube, with MIC's input, has offered RMS a voluntary planning agreement.

In March 2018, the judgment of the merits appeal of Qube's stage 1 development application was handed down by the Land and Environment Court. Sensible revised and additional conditions were imposed with respect to the rail link and operational noise monitoring and mitigation, traffic signals and biodiversity.

Importantly, these revised conditions locked in protocols that will ensure the future of the endangered *Hibbertia fumana* shrub, which was discovered last year on the land earmarked for biodiversity protection. The Commonwealth will establish a 'biobank site' for the offset land on which the plant was discovered and enter into biobanking agreements with the NSW Government. With the biodiversity offset land protected in perpetuity, the rare plant will be preserved

Signing the first public tenant to the precinct

During the year, Target Australia signed up to become Moorebank Logistics Park's first warehousing tenant. The retailer will occupy nearly 40,000 square metres of new purpose-built warehouse and office facilities. Target has committed to an initial 10-year lease and will be investing in the latest technology scanning and sortation systems at the facility. In 2019, when the IMEX terminal becomes operational, Target will be able to load containerised imports directly onto a train at Port Botany, before being decanted from their container at Moorebank and making their first, and only, road journey from Moorebank when they are taken to store or delivered to online shoppers.

Recognising the terminal's contribution to the environment

In July 2017, the Clean Energy Finance Corporation (CEFC) recognised the role of Moorebank Logistics Park in both taking emissions-intensive trucks off Australian roads and itself becoming a large-scale renewable energy source. The CEFC is committing a loan facility to Qube of up to $150 million for the intermodal terminal – its first investment in clean energy transport infrastructure.

The CEFC selected the Moorebank project for its role switching 1.55 million freight containers at Port Botany from road to rail, with an estimated annual abatement of more than 110,000 tCO_2e in transport-related emissions. The switch to rail transport, when operating at scale, will cut an estimated 3,000 truck journeys a day from Sydney's road network, particularly the M5. It will also reduce the number of regular Sydney-Brisbane and Sydney-Melbourne truck freight trips.

By 2030, the new intermodal facility at Moorebank Logistics Park is expected to:

- Reduce the distance travelled by container trucks on Sydney's road network by 150,000 kilometres every day – saving 73,000 tCO_2e of emissions each year
- Reduce the distance travelled by long distance interstate freight trucks by 93,000 kilometres every day – saving 41,000 tCO_2e emissions each year
- Deliver net annual carbon emissions savings equivalent to removing 11,000 vehicles from the road for a full year or burning 25,000 tonnes of coal
- Generate 65,000 MWh/year – capable of powering more than 10,000 homes – from renewable energy sources installed at the site, which is the size of Sydney's CBD.

Upgrading local infrastructure

To function efficiently and effectively, Moorebank Logistics Park will need supporting infrastructure upgrades: 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 2017-18, MIC worked with Qube, Australian Rail Track Corporation (ARTC) and NSW Roads and Maritime Services (RMS) to plan for improved rail and road access to the precinct.

During the year, Qube shortlisted options for relocating Moorebank Avenue, which will form the main road connection from the precinct to the M5 motorway – leaving the existing Moorebank Avenue as an internal terminal road. Qube and MIC are in dispute in relation to the scope of Moorebank Avenue works that MIC is required to fund. In consultation with RMS, the eastern realignment of Moorebank Avenue will be pursued, subject to planning approvals being obtained. This location coordinates well with RMS's Liverpool Moorebank Arterial Road traffic model, which will improve roads around the Liverpool / Moorebank area. The construction of the Moorebank Avenue eastern alignment is expected to occur during 2021 and 2022.

Supporting local economies and boosting employment opportunities

In November 2017, Deloitte updated its previous economic impact report to assess investment in both the Moorebank Logistics Park and the Western Sydney Airport. Together, these two critical infrastructure assets will attract investment worth more than $10 billion, presenting a sizeable opportunity for the western Sydney region to boost employment and grow the local economy.

The new report found the collective impact of these projects aggregated from 2017 to 2040 could potentially generate up to $13.3 billion in the Liverpool economy and $3.8 billion in the western Sydney economy (measured at 2017 prices). The delivery and operation of the projects to 2040 is forecast to add 5% to the current economic base of NSW.

Liverpool is expected to sustain an average of 770 additional annual construction sector jobs, during the construction phase of the two assets, spanning from 2017 to 2025. Aggregated over all industries, the incremental impact of the projects will result in demand for an additional 2,920 workers in Liverpool by 2025, increasing to 4,400 workers by 2035.

Surviving a bush fire

On 14 April 2018, bush fires swept through Casula, Holsworthy and Wattle Grove burning large parts of the Moorebank Logistics Park. Fortunately, no one was hurt and no major damage occurred to site facilities or machinery. We thank the emergency services personnel who responded so quickly.

CEO Change

In April 2018, Ian Hunt informed the Board of his intention to leave the company to pursue non-executive roles. We thank him for his strong leadership and fundamental contribution to the development of the project.

During the search process for Mr Hunt's replacement, the Board appointed an interim CEO, David Jurd, to oversee the development of Moorebank Logistics Park and manage the ongoing relationship with Qube.

Mr Jurd has more than 30 years' experience in the construction industry, having held senior positions as Managing Director of both Abigroup Contractors and Leighton Contractors.

THE YEAR AHEAD

1 DELIVERY

MIC will continue to oversee construction, working with Qube, its prime subcontractors, and the Independent Verifier. This will include resolving disputes with Qube and establishing a better working relationship between us.

MIC will continue to facilitate productive relationships between governments and other stakeholders, and ensure the precinct is developed in an environmentally sensitive manner, including meeting all remediation responsibilities.

In the year ahead, construction will include:

- The first stage of the precinct's surrounding warehousing, including Target Australia's warehouse
- The benching and site remediation works on the area of the interstate terminal and associated rail access works, commencing in late 2018 and continue throughout 2019
- Moorebank Avenue works
- Stage 2 of the rail access works.

2 COMMUNITY

Qube now has front-line responsibility for liaising with community members and other stakeholders about constructing and operating the terminal. MIC will oversee these activities and continue to engage with the community about the benefits the terminal development and its operations will bring to local people.

In regard to job creation, MIC will continue to: work with the representatives of the advisory group to understand the training needs, identify existing training offerings and develop programs to attract local people and keep them engaged; and engage with Liverpool and Campbelltown councils, local business chambers, to maximise their support for and involvement in training programs aimed at local people.

3 SUPPORTING THE SUCCESS OF THE TERMINAL

The commercial success of the terminal depends on a mode shift from road to rail and upgrades and extensions to surrounding infrastructure to ensure appropriate road and rail access. MIC is committed to facilitate the operation of a flexible and commercially viable common user facility to be made available on comparable terms to all rail operators and other terminal users. MIC will engage with industry and stakeholders prior to Qube's IMEX operations commencing during 2019, with details of the suite of documents required to implement the contractual open access regime.

Acknowledgement

We acknowledge the continued support of our shareholder ministers and their departments, the collaborative approach of the NSW Government and the close cooperation of NSW Ports, RMS and ARTC.

We recognise the professionalism and dedication of the excellent MIC team and the considerable hands-on efforts of the Board.

We look forward to working more collaboratively together in the coming year to achieve our common goals.

Kerry Schott
Chair

David Jurd
Chief Executive Officer (Interim)

OPERATIONAL REPORT

Master plan

Moorebank Logistics Park will comprise:

- an IMEX intermodal terminal with an ultimate capacity of 1,050,000 TEU per year;
- an interstate terminal with an ultimate capacity of 500,000 TEU per year;
- up to 850,000 square metres of warehousing; and
- other associated facilities, including precinct infrastructure, and the possible relocation of Moorebank Avenue to the east of the precinct (subject to gaining further planning approval).

* Twenty-foot equivalent unit

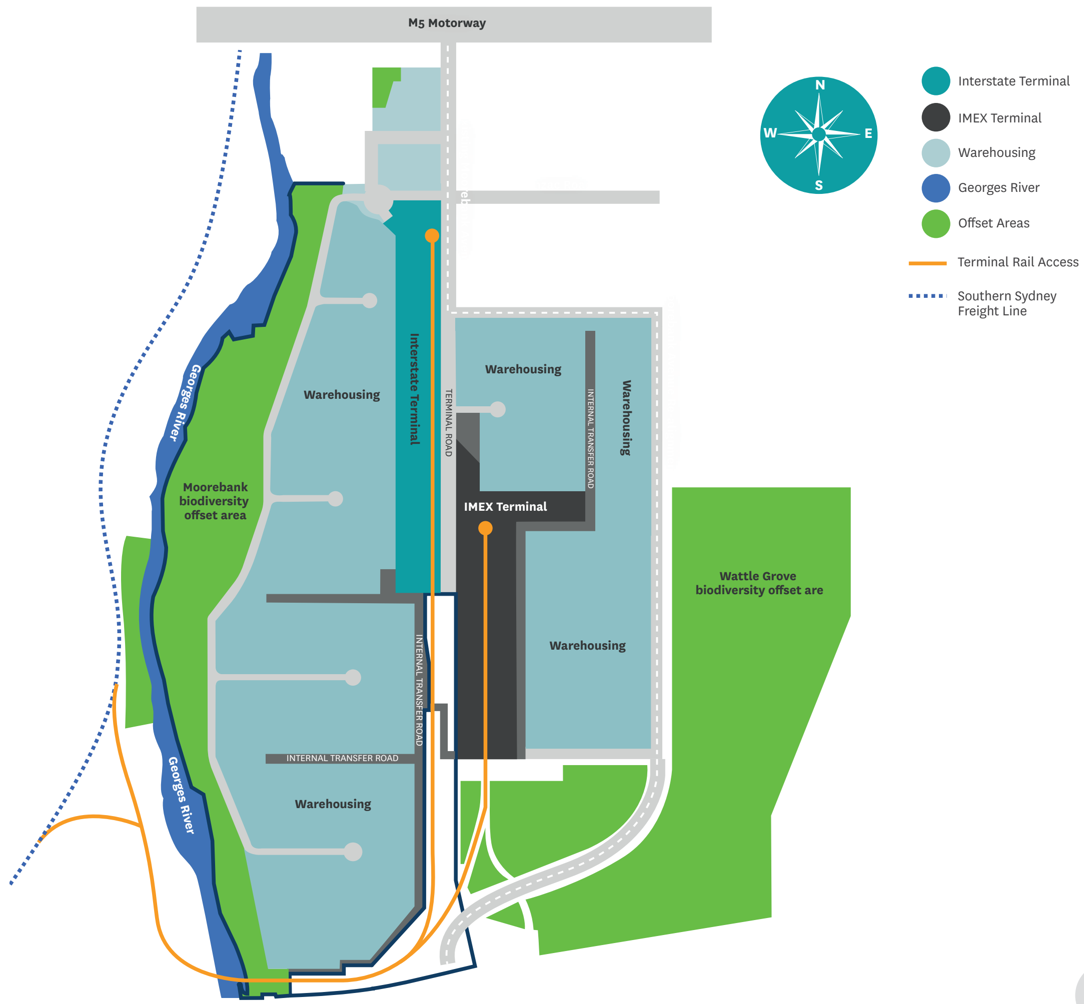
Qube's development and operations responsibilities are being undertaken by a special purpose entity (wholly owned by Qube) known contractually as Precinct Developer Co.

MIC's role is to:

- contribute its developable land and the biodiversity offset land;
- fund the preparation of that land so it is suitable for industrial development, i.e. contamination remediation and benching;
- fund the development of the rail connection between terminal and the Southern Sydney Freight Line;
- fund the costs above $20 million for upgrading and relocating Moorebank Avenue; and
- fund its half share of voluntary planning contributions.

Qube's role is to:

- contribute its developable land and fund any preparation of that land so it is suitable for industrial development;
- build, maintain and operate the rail access;
- fund, build, maintain and operate the IMEX and interstate terminals, and the associated precinct infrastructure;
- develop and lease the warehousing;
- obtain all future planning approvals; and
- fund its half share of voluntary planning contributions.



Development scope and timeframe

The IMEX terminal is expected to open for initial operations in 2019. Qube has advised the market that the IMEX terminal will be up to 6 months late in commencing operations.

The second stage of the rail access will link the first stage to the interstate terminal. These works are expected to commence in October 2019 and to be completed in 2020. The interstate terminal is expected to open in late 2020.

The surrounding warehousing will be constructed in stages between mid-2018 and about 2027.

Development approvals

During the year, progress in development approvals included:

- **Construction and operation of warehouses and distribution facilities on Moorebank Precinct East** – This application was determined by the NSW Planning Assessment Commission on 31 January 2018. The approval requires a 1.5 km-long upgrade of Moorebank Avenue, on its existing alignment, road infrastructure upgrades to three intersections along Moorebank Avenue to the north (M5 Motorway, Newbridge Road and Heathcote Road) and four lanes between Anzac Road and the IMEX terminal main access point.
- **Construction and operation of the interstate terminal on Moorebank Precinct West** – During the year, the Department of Planning and Environment halted its assessment of Qube's application pending a statement from RMS that the traffic mitigation measures satisfy its requirements. Traffic models developed by MIC and Qube show that background growth is the major contributor to network impacts, and the terminal traffic has minimal impact.
- **Appeal of Qube's Stage 1 approval** – In March 2018, this appeal was considered in the Land and Environment Court. Consent to the development of the intermodal facility and rail link was upheld, subject to the updated planning conditions. Revised and additional conditions were imposed with respect to biodiversity, rail link and operational noise monitoring and mitigation, traffic signals.

MIC's oversight role

The precinct is being developed under a Development and Operations Deed between MIC and Precinct Developer Co, which is owned by Qube. The Deed governs the development and operation of the terminals, including the open access regime and the capacity expansion regime. Material breaches of the Deed can lead to sanctions and ultimately the termination of Precinct Developer Co.

MIC's role within the contractual relationship is to manage Precinct Developer Co, as head developer. Specifically, MIC is contractually obligated:

- during all construction phases, to administer the Development and Operations Deed and manage Precinct Developer Co so that it fulfils its obligations;
- for the MIC funded works, to engage and oversee key independent consultants who will ensure that the works are constructed in accordance with the Development and Operations Deed;
- for all works not funded by MIC (e.g. IMEX and interstate terminals and warehousing development), jointly with Precinct Developer Co, to engage and oversee key independent consultants who will ensure that the works are constructed in accordance with the Development and Operations Deed; and
- provide the biodiversity offsets as required under the MIC concept plan approval for the Development Works on the Commonwealth-owned land i.e. the interstate terminal and warehousing on MIC's developable land. If surplus credits are available from MIC's biobank site, MIC will provide the biodiversity credits to Precinct Developer Co for the rail access.

A number of disputes have arisen between Qube and MIC in relation to the scope of works and funding to be provided by MIC. The parties are working through the formal dispute resolution processes. Relations between the two companies at a working level are unsatisfactory and these matters are being discussed by the chairs of MIC and Qube.

Later, during the operations phase, MIC will monitor and manage Precinct Developer Co, as the operator, to ensure that it fulfils its obligations, in particular open access and capacity expansion.

OPEN ACCESS REGIME

The open access regime requires the terminals to be operated on an open and non-discriminatory basis. It sets out the rules for reference and ancillary services, application processes, capacity allocation, pricing, cost allocation, complaints, disputes, and monitoring and enforcement. The regime includes requirements to publish reference prices, a standard customer contract, an access protocol and a terminal operating procedure for each terminal. The access protocol and terminal operating procedure must be developed and submitted to MIC for approval six months before the operation of the relevant terminal commences.

Under the open access regime, MIC is also responsible for approving Qube's:

- methodology for setting prices that deviate from the reference prices for reference services at the terminals; and
- cost allocation methodology for allocating non-terminal common costs and overheads to the terminal and an account keeping methodology.

Given the importance to the Commonwealth of the terminals operating as flexible and commercially viable common user facilities, available on reasonably comparable terms to all rail operators and other terminal users, MIC will devote considerable effort in the coming year to further engaging on its expectations for the open access regime documentation, as required under the Development and Operations Deed.

Prior to Qube's IMEX operations commencing in the first quarter of 2019, MIC will socialise the suite of documents required to implement the contractual open access regime with industry and stakeholders.

Once the terminals are operating, MIC will monitor and enforce compliance with the open access regime. Qube will be required to report on its performance against the open and non-discriminatory access obligations. Under the open access regime, access seekers or customers can lodge complaints with Qube and MIC about compliance with the regime and MIC will be able to impose consequences for non-compliance.

CAPACITY EXPANSION

Terminal capacity is required to be developed ahead of demand. The capacity expansion regime is based on an agreed expansion master plan and demand-driven capacity expansion triggers (rather than fixed dates). When a trigger is reached, Qube is obliged to implement a capacity expansion if the increased demand is sustainable, the incremental revenue is greater than the incremental cost of the expansion, rail and port interface capacity is available, and the expansion is consistent with the precinct master plan.

Qube is proposing to build the full footprints of both terminals in the initial phase, so the expansions will be in the form of installing above rail capacity, such as additional equipment or advanced automation, subject to future planning approvals.

External infrastructure

ROAD ACCESS

The efficient and effective functioning of the developed terminal will require a local arterial road system that can cope with background traffic growth and terminal traffic.

NSW Roads and Maritime Services (RMS) has completed the Liverpool Moorebank Arterial Roads Study to determine the needs, solutions and priorities to accommodate the growing traffic in the area. RMS's proposed solution incorporates MIC's suggestions and includes:

- **Cambridge Avenue extension** – this would create a new link to the M7 and M5 Motorways to accommodate future traffic growth that will be generated by the residential growth and economic development in the region, particularly in the Glenfield and Campbelltown local government area. Importantly, it would also provide an alternative access to the terminal and allow future re-allocation of traffic patterns;
- **A solution to the M5 'weave' westbound** – this would resolve a significant source of congestion currently affecting broader road network performance, and potentially adversely affecting truck access to and from Moorebank Logistics Park. This solution will be required as background traffic continues to grow and is being considered by RMS as a priority so is likely to be delivered within the next 5 to 10 years; and
- **Liverpool bypass** – this would upgrade poorly performing intersections along the Hume Highway between the M5 Motorway and Orange Grove Road. Some of these upgrades are required now but RMS's modelling has shown that Cambridge Avenue and the M5 weave westbound provide substantial relief, delaying the need for a Hume Highway upgrade.

RMS has sought funding support for these works through the negotiations of the voluntary planning agreement between Qube and RMS. MIC will continue to cooperate closely with RMS and monitor RMS's progress towards firm commitments for road upgrades. MIC believes the corridors need to be formally reserved within the next 12 months.

RAIL ACCESS

For the terminal to reach its ultimate capacity of 1.55 million TEU per year, it is crucially important to augment the Southern Sydney Freight Line, which currently has a capacity of only 490,000 TEU per year. During the year, the 2018 Federal Budget committed $400 million funding for these works.

- **New passing loop between Cabramatta and Warwick Farm** – ARTC commenced the preparation of the detailed design and an environmental impact statement. Funding for the loop's procurement and construction was allocated in the 2018 Federal Budget. The Cabramatta passing loop needs to be completed by mid-2022 to support the throughput ramp-up profile for Moorebank Logistics Park. In the coming year, MIC will continue to monitor progress of the planning approvals, land acquisition and construction.
- **Botany line duplication** – Keenly supported by the logistics industry, NSW Ports and the NSW Minister for Roads, Maritime and Freight, this will eventually enable the shuttle trains between Port Botany and Moorebank to be fully automated. ARTC's planning is well advanced and funding for procurement and construction was committed in the 2018 Federal Budget.

Port Botany rail interface – Additional investment in Port Botany's rail infrastructure is being addressed by the new lessee of the port, NSW Ports under its 30-year master plan. MIC will monitor progress to ensure that containers can be transported efficiently from the port to Moorebank, noting that NSW Ports and the stevedores have a strong commercial imperative to make the port work efficiently for both road and rail transport systems.

SUPPORTING THE SUCCESS OF THE TERMINAL

MIC has a strong interest in maximising the mode shift from road to rail, to ensure the precinct delivers the expected financial return to the Commonwealth and fully 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 Moorebank Logistics Park to industry so potential users and tenants understand access is open to all and the terminal it is not exclusively a Qube-only operation; 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.

Community engagement

MIC believes the terminal, during both its development and operations, must fit as comfortably as possible within its local environment and provide the maximum opportunity for the benefits associated with the terminal to be 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.

LOCAL EMPLOYMENT OPPORTUNITIES

In 2016-17, updated modelling by Deloitte found that the development of Moorebank Logistics Park will lead to higher employment levels across: the City of Liverpool, the regional economy and the State of NSW as a whole. The modelling forecasts that the highest net increase in aggregate employment will occur in Liverpool and the rest of Sydney's regional economies.

When the precinct 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 net 2,500 jobs in transport-related industries.

Real Gross Regional Product (GRP) in the Liverpool local government area is forecast to increase by an estimated $4.8 billion from 2025 to 2035. Outside the Liverpool region, Deloitte predicts positive flow-on effects due to the productivity benefits associated with the precinct, including operating costs savings from switching freight from road to rail and travel time benefits for business vehicles. In western Sydney and the rest of Sydney, the precinct will assist real GRP to increase by almost $250 million and $2.5 billion respectively. Looking at all of NSW, real GRP is predicted to be $7.8 billion higher.

Several commentators (including the Western Sydney University, Deloitte and the Western Sydney Business Chamber) have identified that population growth rates in western and south-western Sydney significantly exceed job growth rates there, resulting in a worsening jobs shortage. The precinct will help to address this issue by increasing demand locally for skills in logistics and related fields.

The board believes that, as far as possible, the job opportunities generated by Moorebank Logistics Park should be filled by people living nearby. To enable this, local people will need ready access to suitable training to prepare them for those jobs.

MIC WILL BEGIN PROMOTING THE FUTURE EMPLOYMENT OPPORTUNITIES IN MOOREBANK LOGISTICS PARK

In May 2017, MIC established the Moorebank Intermodal Terminal Workforce Advisory Group (MITWAG), comprising of State Government, local councils, Chamber of Commerce, tertiary education institutions, Qube and MIC. The purpose of the group is to ensure that training is delivered locally to help local people gain access to the new job opportunities that Moorebank Logistics Park will bring to the area.

During the year, the MITWAG continued to meet to identify and address the skill shortages and education and training needs generated by the development and operation of Moorebank Logistics Park. Representatives took part in The NSW Transport and Logistics Tertiary Pathways Project Advisory Panel to assist with establishing tertiary pathways in the NSW Transport and Logistics workforce. The project is a collaboration between higher education and voluntary education and training providers, industry groups and employers.

In 2018-2019, MIC will begin promoting the future employment opportunities in Moorebank Logistics Park through career expos.

COMMUNITY BENEFITS PACKAGE

MIC's community program includes a $1 million local benefits package. An independent citizens' jury recommended in 2014 a package of benefits to offset some of the terminal's impacts on the community and environment nearby:

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

This package is on top of the mitigation measures MIC and Qube will take to ensure the terminal meets all relevant government environmental requirements.

In 2017, the Moorebank Intermodal Terminal Benefits Package Steering Committee was established to oversee MIC's implementation of the jury's recommendations. The committee comprised representatives from the 2014 citizens' Jury, Liverpool City Council, Qube and MIC.

During the year, the committee met six times, providing valuable input and critique of the proposals as they were developed. At its final meeting in June, the committee endorsed three proposals:

- **Social enterprise**
  Initially, this will involve establishing a permanent hospitality training academy and café shopfront in the Liverpool CBD to address local opportunities and needs, with a specific focus on the terminal. The project will target unemployed youth and 'youth at risk' and will expand to meet other local needs such as women and recent migrants as the enterprise grows.

  The training facility will aim to enrol 20 students per year in four quarterly intakes. The students will be provided with assistance to secure scholarship funding to fully cover the tuition fees. Students will also receive work experience in the social enterprise café.

- **Fitness and Healthy Living package**
  MIC will partner with Live Life Get Active, a social enterprise that employs local talent to improve community health and fitness, to roll out a Fitness and Healthy Living Package. Live Life Get Active will establish free community programs close to the precinct, including:
  - **Outdoor fitness camps** – located in three local parks, run five days a week in four 10-week terms

- **Outdoor gym equipment sessions** – located in two local parks, run two days a week in four 10-week terms
- **Healthy living workshops** – four workshops per year with topics such as: eating healthily, sourcing locally, going sugar free and harnessing exercise to build confidence and positivity

- **Training and Scholarship Program**
  MIC will establish a training and scholarship grants program for local people living within five kilometres of the precinct. Training will be provided through TAFE NSW and other vocational education and training providers in the Liverpool local government area.

  Students will receive funding of half the cost for entry level / vocational training or a quarter of the cost for diplomas / trade certificates. The type of training funded will not be prescribed, but it should focus on the local community and business needs. The funding will be available for five years.

In 2018–19, MIC will begin to implement these programs.

Ecologically sustainable development

BIODIVERSITY OFFSET STRATEGY

The biodiversity impacts for the precinct come from the rail access works and the clearing of the developable land. MIC is providing biodiversity offsets for these impacts. The biodiversity credits available from the Commonwealth-owned land set aside for biodiversity offset satisfy most but not all of the NSW offset requirements, under the NSW Biodiversity Offset Policy for Major Projects 2014. MIC will need to purchase additional 'biobanking' credits to make up the shortfall.

In early 2017, MIC applied to the NSW Office of the Environment and Heritage (OEH) to establish the required biobanking agreement. This agreement needs to be in place once the planning approval has been received for the interstate terminal and associated warehousing, which is expected in the third quarter of 2018. MIC initially applied to use its surplus vegetation as an offset, but this was rejected by OEH during the year. However, the OEH accept revegetation of the 'dust bowl' as part of MIC's biodiversity credits.

When the planning approval for the interstate terminal is granted, this will trigger the full biodiversity impact, requiring MIC to purchase credits from the biobanking credit register for any shortfall.

Work Health and Safety

MIC does not compromise on safety. It has three roles in safety management:

1. **Oversight of work health and safety of construction and operations**
   In August 2017, MIC's Work Health and Safety (WHS) Management Plan was updated and approved by the Board. During the year, the plan was adopted by MIC and its two subsidiary trusts. The plan recognises that MIC has a due diligence and oversight role with respect to construction and operation activities of Qube under the Development and Operations Deed. It describes MIC's organisational activities with respect to Qube's works on site.

   MIC will rely on Qube's processes for general work health and safety as it relates to the terminal works and operations. However, assurance, reporting and due diligence procedures are in place that enable MIC to satisfy itself that Qube and its sub-contractors fulfil their workplace health and safety responsibilities.

2. **Oversight of rail safety of the construction and operations**
   Under the Rail Safety Act 2012, Qube will need to be accredited as both a Rail Infrastructure Manager and a Rolling Stock Operator, with responsibilities for safe railway operation in Australia. The Act applies to the intermodal terminal itself as well as its rail access and applies during both construction and operations. MIC's WHS Management Plan covers MIC's rail safety review, monitoring, auditing, reporting and assurance.

3. **Direct responsibility for the work health and safety of MIC's employees and workplace**
   MIC operates primarily in a relatively benign, standard office environment, with occasional exposure to non-office-based risks while travelling to and from and visiting the site at Moorebank. When on site, MIC's staff will be under the management of the relevant 'principal contractor' (Qube or one of its subcontractors) who will be 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 approach to work health and safety management within its direct responsibilities includes:
   - acquiring and keeping up to date with knowledge of workplace health and safety matters;
   - understanding MIC's business operations and the associated risks and hazards;
   - ensuring the business has available for use, and uses, the appropriate resources and processes to eliminate or minimise risks to health and safety;
   - ensuring the business has appropriate processes to receive and consider information about work related incidents, hazard and risks, and to respond in a timely manner;
   - ensuring MIC implements processes for complying with duties and obligations under the Work Health and Safety Act; and
   - resources and processes required for compliance.

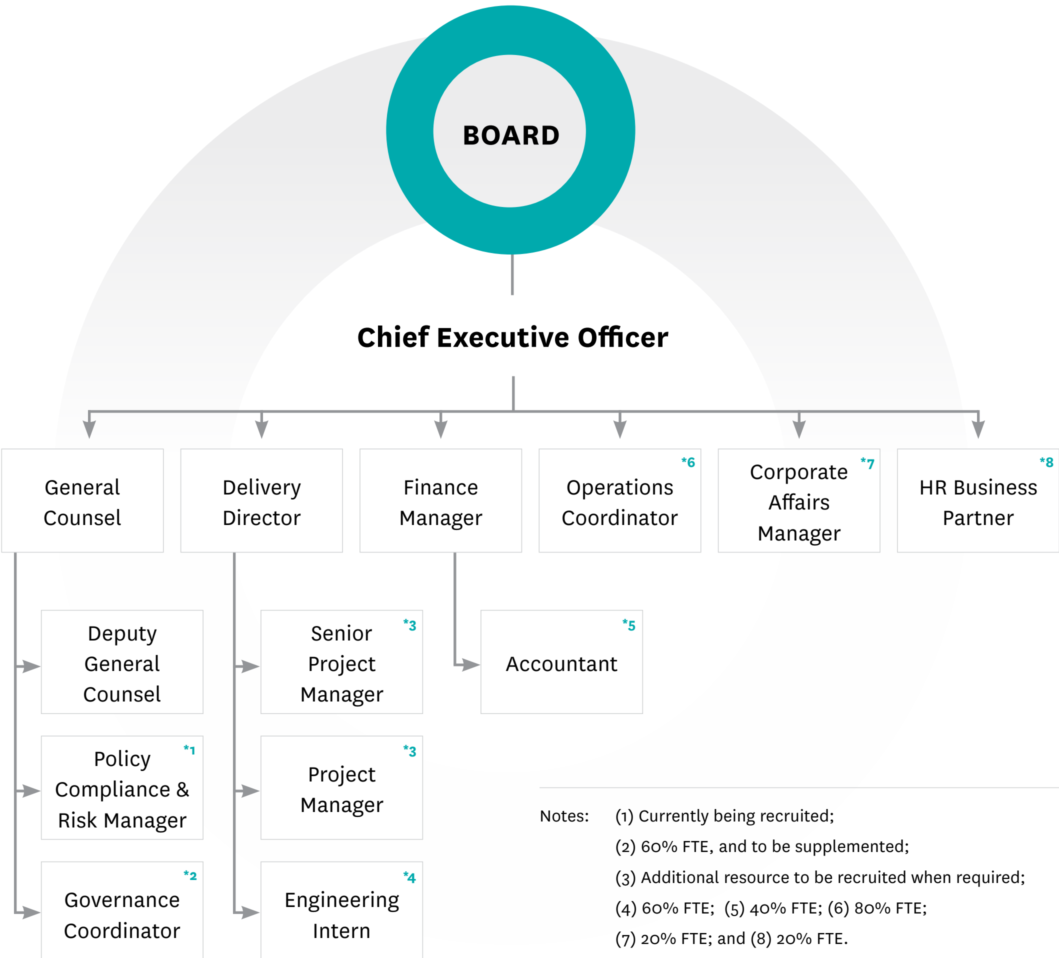
MIC's Work Health and Safety Office Manual sets out the procedures and information necessary for managing MIC staff exposure to hazards and risk in their day-to-day activities.

Performance measures

During the year, MIC largely achieved the performance indicators set out in its 2017–18 Corporate Plan. Its main achievements included overseeing the delivery of Moorebank Logistics Park with critical path activities, including demolition and site remediation works and rail works well underway. MIC also worked with Qube, Australian Rail Track Corporation (ARTC) and NSW Roads and Maritime Services (RMS) to plan for improved rail and road access to the precinct.

ORGANISATIONAL STRUCTURE

DIRECTORS' REPORT



Notes: (1) Currently being recruited;
(2) 60% FTE, and to be supplemented;
(3) Additional resource to be recruited when required;
(4) 60% FTE; (5) 40% FTE; (6) 80% FTE;
(7) 20% FTE; and (8) 20% FTE.

Board of Directors

The following people served as directors of Moorebank Intermodal Company Limited during the financial year ended 30 June 2018.

All directors were appointed on three-year terms.

KERRY SCHOTT AO
CHAIR AND NON-EXECUTIVE DIRECTOR
BA (Hons), MA, DPhil
Appointed: 13 December 2012
(re-appointed on 13 December 2015 for a further 3-year term)

Dr Schott is Chair of Moorebank Intermodal Company Limited. She is a director of NBN Co and TCorp NSW. She is also Chair of the Energy Security Board and Sydney Metro advisory board, and a member of the advisory board of Sydney Light Rail.

Dr Schott was Managing Director and CEO of Sydney Water from 2006 to 2011; and a 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.

Dr Schott holds a doctorate from Oxford University, a Master of Arts from the University of British Columbia, Vancouver and a Bachelor of Arts from the University of New England. She was awarded an Order of Australia and Honorary Doctorates from the University of Sydney and the University of Western Sydney.

RAY WILSON, NON-EXECUTIVE DIRECTOR – *ACA*
Appointed: 13 December 2012 (re-appointed on 13 December 2015 for a further 3-year term)

Mr Wilson has a strong background in accounting, investment banking and large-scale infrastructure development. Mr Wilson is a Founding Principal and Director of Plenary Group – an international infrastructure business. Mr Wilson's experience also includes Head of Infrastructure and Head of Debt Markets and Securitisation at Barclays Bank/ABN AMRO. Prior to his investment banking career, Mr Wilson was a chartered accountant at Price Waterhouse and KPMG.

CLAIRE FILSON, NON-EXECUTIVE DIRECTOR
LLB, MBA, Grad. Dip. Applied Corporate Governance
Appointed: 13 December 2012 (re-appointed on 13 December 2015 for a further 3-year term)

Ms Filson is Deputy Chair of Murray Irrigation Limited and Port of Hastings Development Authority and a director of TT-Line Pty Ltd, Western Water 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. Ms Filson has strong commercial and governance skills, with extensive experience working with audit, compliance and risk committees..

PAUL BINSTED – NON-EXECUTIVE DIRECTOR
BEc, LLB
Appointed: 8 May 2013 (re-appointed on 8 May 2016 for a further 3-year term)

Mr Binsted has retired from executive roles and now works as a consultant in Corporate Finance. In that capacity he chairs the Finance and Audit Committees of the Australian National Maritime Museum and the Clean Energy Finance Corporation.

Mr Binsted has over thirty years of Corporate Finance experience with global investment banks. 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 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.

LUCIO DI BARTOLOMEO, NON-EXECUTIVE DIRECTOR
BE(Civil), MEngSc, MIEA
Appointed: 2 May 2016

With over 40 years' experience in the transport industry, Mr Di Bartolomeo brings extensive knowledge in rail, infrastructure and engineering fields to the MIC board as a non-executive director. He is currently Chairman of Northwest Rapid Transport, Health Infrastructure NSW and Australian Naval Industry and a non-executive director of Australian Super and Frontier Advisors. He was, prior to taking on non-executive director roles, the Managing Director of ADI Limited, Country Director of Thales (Australia) and Managing Director of FreightCorp.

THE HON JAMIE BRIGGS, NON-EXECUTIVE DIRECTOR
Appointed: 13 December 2016

The Hon Jamie Briggs is a Partner at PwC in clients and strategy focussing on a range of firm priorities including government, cities, defence and infrastructure.

The Hon Jamie Briggs 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 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 2004-2007 advising on workplace relations reform. The Hon Jamie Briggs was also Federal Member for Mayo and Shadow Parliamentary Secretary and member of the Opposition Expenditure Review Committee.

The Hon Jamie Briggs is currently studying a Master of Business Administration at Adelaide University.

Meetings of Directors

The number of meetings of the company's board of directors and board committees held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Board		Audit & Risk Committee	
Director	**A**	**B**	**A**	**B**
K Schott	11	11	-	2*
R Wilson	11	10	5	4
C Filson	11	10	5	5
P Binsted	11	11	5	5
L Di Bartolomeo	11	11	-	3*
Hon J Briggs[1]	11	9	-	2*

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

Audit and risk committee

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

- Claire Filson (chair from 4 December 2015)
- Paul Binsted (appointed 12 December 2015)
- Ray Wilson (appointed 26 May 2016)

Company secretary

Jane Webster was appointed to the position of General Counsel and Company Secretary from 11 August 2014. Ms Webster has over 20 years' experience as a construction and infrastructure lawyer and a company secretary. Prior to joining Moorebank Intermodal Company, 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 (ICSA).

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 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 company after income tax was $61.3 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

During the year, the company received equity injections totalling $95 million. There were no significant changes in the state of affairs of the company during the year.

Significant events subsequent to reporting date

The Hon Alan Tudge, MP, Minister for Cities, Urban Infrastructure and Population was appointed the new Shareholder Minister effective on 26 August 2018. On the 26 July 2017, Christine Holman and Andrew Harrison were appointed to the MIC board as non-executive directors on 26 July 2018.

The Shareholder Ministers have also extended the term of Dr Schott as Chair of the board for a further 12 months from December 2018.

The Australian National Audit Office (ANAO) undertook a performance audit on the delivery of the Moorebank Intermodal Terminal, tabling its report in Parliament in December 2017. In January 2018 the ANAO commenced a second performance audit, with the audit objective being assess MIC's achievement of value for money and management of probity in its operations and procurement activities. The report is due to be tabled in Parliament in October 2018.

Likely developments and expected results of operation

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

Dividends

There was no dividend provided for or paid in the current year by the company.

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

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:

- any liability incurred by the person in that capacity (except a liability for legal costs);
- legal costs incurred by the person in connection with legal proceedings in which the person becomes involved in that capacity or in obtaining certain legal advice relevant to the performance of their functions and discharge of their duties as an officer of the Company.

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 2018, 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.

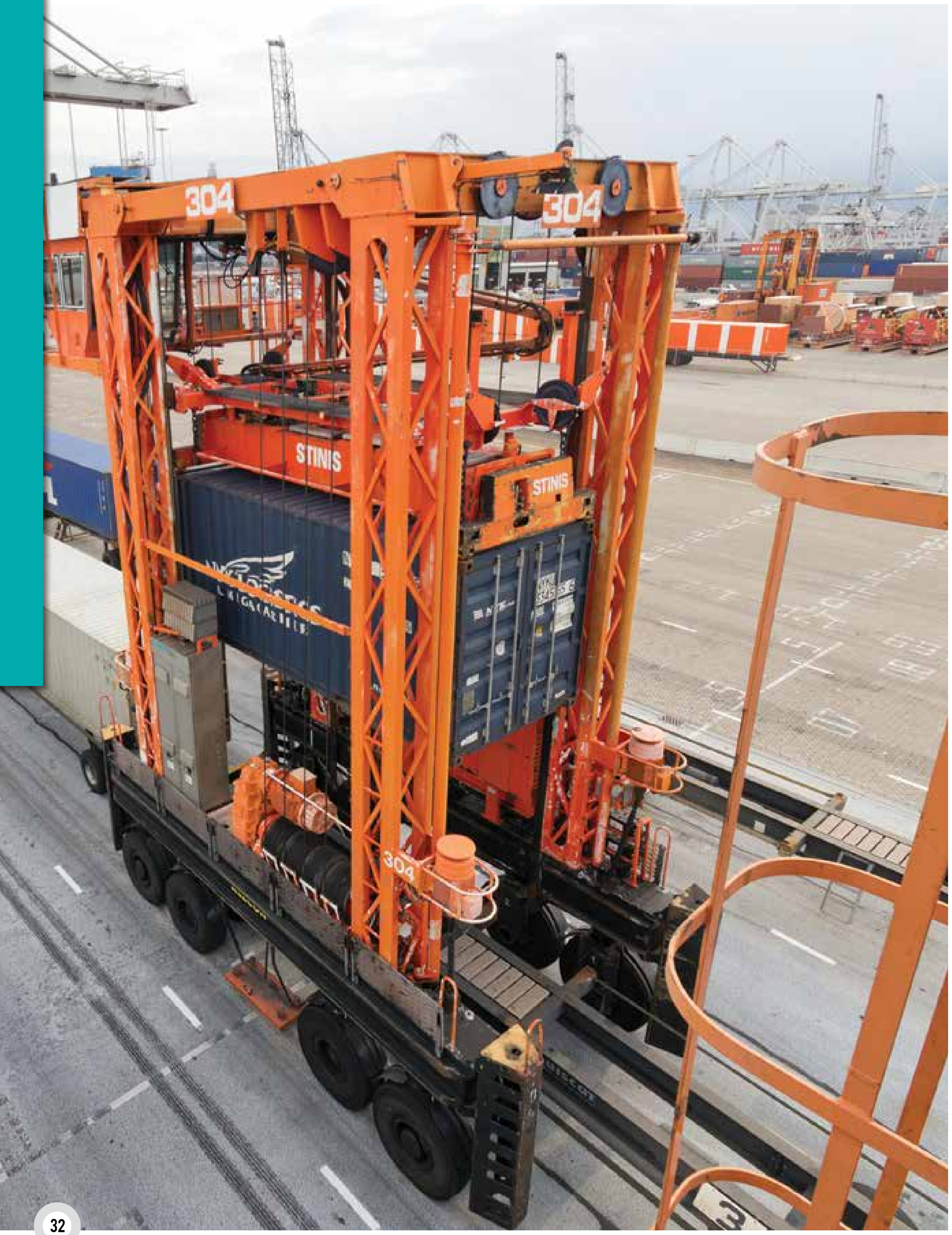
No known liability has arisen under the insurance contract as at the date of this report.

Non-audit services

No non-audit services have been provided by the Australian National Audit Office. Non-audit services provided by the contract auditor, KPMG, are detailed in the note 27 of the Financial Statements.

Auditor independence

The directors received an independence declaration from the Auditor-General. A copy of this report has been included with the financial statements.



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 2017-18
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 2018, 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

Lesa Craswell
Executive Director

Delegate of the Auditor-General

Canberra
19 September 2018

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

CORPORATE GOVERNANCE STATEMENT

Moorebank Intermodal Company Limited (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 the 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.

This statement, which was approved by the board on 19 September 2018 outlines MIC's corporate governance framework current as at 30 June 2018.

Our shareholders

OWNERSHIP

Moorebank Intermodal Company Limited (MIC) is a Government Business Enterprise (GBE) wholly owned by the Commonwealth of Australia to oversee the development and future operation of the Moorebank intermodal terminal.

SHAREHOLDER MINISTERS

The shareholder ministers are the Hon Paul Fletcher MP, Minister for Urban Infrastructure and Cities (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 2018–22 Corporate Plan and Statement of Corporate Intent to its shareholder ministers in June 2018. 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.

Board of directors

ROLE AND RESPONSIBILITIES

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

The board is responsible for the company meeting its accountability obligations to the Australian Government by submitting corporate plans and annual reports, monitoring compliance with Australian Government policies and for the development, implementation and monitoring of an effective governance and risk management framework.

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 has reserved for itself certain powers and authorities. Responsibility for the day to day management of the company is delegated to the CEO and management. The main powers that the board has reserved for itself, which align to those matters in respect of which the company may not proceed to act without the prior approval of its shareholders, are:

1. termination, or agreement to termination, by the company or any of its subsidiaries of project agreements;
2. assignment by the company or any of its subsidiaries of any contract rights or obligations under any project agreements;
3. approval to any material changes to the precinct master plan;
4. agreement to use of the areas designated as biodiversity areas for any other purpose; and
5. amendments or waivers to any project agreement that:
   a. result in a commitments and/or other liabilities (whether contingent or otherwise) exceeding $15 million in aggregate across all such changes;
   b. could have a negative effect on the achievement of the company's objectives, as set out in the constitution; or
   c. have a detrimental effect on the Commonwealth's risk position.

The board may delegate its powers as it considers appropriate and has established delegations of authority that document the powers delegated to the CEO and management. The delegations of authority clarify the respective roles and responsibilities of board members and senior executives in order to facilitate board and management accountability to the company and its shareholders. The board provides strategic guidance to MIC and effective oversight of management's decision making processes.

BOARD COMPOSITION

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 six 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 office of a director is determined by the Commonwealth at the time of appointment. This is usually for a term of three years.

CHAIR

Dr Kerry Schott, an independent non-executive director, was appointed chair on 13 December 2012 and was re-appointed on 13 December 2015 for a further 3-year 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 functioning and 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, an agreed action plan implemented.

BOARD DIVERSITY

MIC fosters a governance culture that embraces diversity in the composition of boards. As at 30 June 2018, 33 per cent of MIC's board directors were women.

DIRECTOR INDUCTION AND EDUCATION

MIC has an induction program for new directors, which is reviewed periodically by the company secretary. MIC has an induction program for new directors which includes meeting with management, a tour of the precinct development site and receipt of 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 which they hold with other organisations and to provide updated information in a timely manner, being a standing agenda item 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 in order to make informed decisions and fulfil their responsibilities as directors of the MIC board.

Board committees

To assist in the performance of its responsibilities, 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.

With a board comprising only six independent non-executive directors, 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 three members, each being an independent non-executive director. The chair of the committee, Ms Claire Filson, 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; and monitor and review the effective management of financial risks, the application of up-to-date accounting policies, development and maintenance of effective and efficient internal and external audit processes, maintenance of auditor independence and performance 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 2017 to 30 June 2018 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 the director's remuneration are included in the [Financial Statements on pages 42].

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 the senior executives' remuneration are included in the Financial Statements on pages 42-71.

SUCCESSION PLANNING

In accordance with the recommendation under the 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 Australian National Audit Office (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 FINANCE MANAGER

Prior to the approval each year of the annual financial statements by the board of directors, the Chief Executive Officer and the Finance Manager 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 2018, the Chief Executive Officer and Finance Manager 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
- identification and mitigation of 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 developed a Risk Management Framework and continues to maintain and update a comprehensive risk register that captures the material business risks facing the company.

It is the role of the Audit and Risk Committee to oversee the Risk Management Framework. In particular, the committee oversees:

- 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 3-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.

Following the ANAO performance audit in December 2017, MIC commissioned Ernst & Young to undertake a business integrity review of the company's systems to assist MIC in identifying areas for improvement. MIC is implementing the recommendations from the Ernst & Young review and will continue to work with Ernst & Young during FY18-19 to identify continuous improvements arising from the recommendations.

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 the making of a disclosure; and
- ensuring that disclosures are properly investigated and dealt with.

MIC supports reporting by staff at all levels. MIC supports protection for those who make those reports from victimisation and discrimination as a result of making the report. 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 has been included on MIC's website *http://www.micl.com.au/public-interest-disclosure-act-1*

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

CODE OF CONDUCT

MIC is committed to and promotes the highest standards of integrity and ethical behaviour. MIC aims to carry out its business in an open and honest manner, while complying with all applicable legislation and laws.

MIC has adopted 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 the promotion of 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 Government Business Enterprise, MIC is committed to applying and adhering to the standards outlined in the Commonwealth Fraud Control Guidelines 2011.

MIC has a Whistleblower 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. MIC is committed to supporting and protecting those who report suspected violations in good faith. The Whistleblower 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 in order to comply with the requirements of the Privacy Act 1988 (Cth), as amended. The Privacy Policy is reviewed periodically, with the board adopting amendments in December 2017

A copy of the policy has been included on MIC's website at *http://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 2018

	Notes	2018 $'000	2017 $'000
Revenue			
Interest income		668	296
Other income		1	-
Total revenue	**3**	**669**	**296**
Expenditure			
Employee benefits expense	4	1,991	2,045
Occupancy costs		225	238
Adviser costs	4	1,850	431
Contractor costs		366	184
Recruitment		109	37
Insurance		153	149
IT expenses		120	127
Travel costs		67	73
Depreciation and amortisation	4	42	40
Land preparation works	4	82,050	-
Other expenses	4	295	361
Total expenditure		**87,268**	**3,685**
(Loss) before income tax		**(86,599)**	**(3,389)**
Income tax benefit	5	25,335	1,027
(Loss) for the year		**(61,264)**	**(2,362)**
Other comprehensive income (OCI)			
Gain on recognition of 99-year head lease	6	-	13,236
Equity-accounted investees – share of OCI	14	(325)	(2,073)
Tax effect of OCI adjustments	5	98	622
Total other comprehensive (loss) / income		**(227)**	**11,785**
Total comprehensive (loss) / income		**(61,491)**	**9,423**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	60,578	25,059
Trade and other receivables	8	1,138	81
Other current assets	9	161	186
Total current assets		**61,877**	**25,326**
Non-current assets			
Property, plant and equipment	12	135	150
Assets under construction	13	51,087	19,533
Equity accounted investees	14	153,145	153,470
Financial Assets	15	6,713	3,021
Other non-current assets	16	14,198	12,964
Deferred tax assets	17	34,148	8,715
Total non-current assets		**259,426**	**197,853**
Total assets		**321,303**	**223,179**
LIABILITIES			
Current liabilities			
Trade and other payables	18	17,819	1,356
Provisions	21	128,659	41,784
Total current liabilities		**146,478**	**43,140**
Non-current liabilities			
Provisions	21	37,862	76,585
Total non-current liabilities		**37,862**	**76,585**
Total liabilities		**184,340**	**119,725**
Net assets		**136,963**	**103,454**
EQUITY			
Contributed equity	22	206,000	111,000
Retained earnings		(69,037)	(7,546)
Total equity		**136,963**	**103,454**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Retained Earnings $'000	Contributed equity $'000	Total equity $'000
Balance at 30 June 2016	**(16,969)**	**69,000**	**52,031**
COMPREHENSIVE INCOME			
Loss for the year	(2,362)	-	(2,362)
Other comprehensive income	11,785	-	11,785
Total comprehensive income	**9,423**	**-**	**9,423**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS			
Contributions of equity	-	42,000	42,000
Balance at 30 June 2017	**(7,546)**	**111,000**	**103,454**
COMPREHENSIVE INCOME			
Loss for the year	(61,264)	-	(61,264)
Other comprehensive income	(227)	-	(227)
Total comprehensive income	**(61,491)**	**-**	**(61,491)**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS			
Contributions of equity	-	95,000	95,000
Balance at 30 June 2018	**(69,037)**	**206,000**	**136,963**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers		(6,659)	(7,369)
Payments to employees		(2,065)	(2,086)
Net GST received		3,655	3,655
Interest received		668	296
Net cash (outflow) from operating activities	**23**	**(4,401)**	**(5,504)**
Payments for property, plant and equipment		(27)	(184)
Payments for assets under construction		(51,361)	(29,879)
Payments for investments		(3,692)	(3,021)
Net cash (outflow) from investing activities		**(55,080)**	**(33,084)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity funding		95,000	42,000
Net cash inflow from financing activities		**95,000**	**42,000**
Net increase in cash and cash equivalents		**35,519**	**3,412**
Cash and cash equivalents at beginning of year		25,059	21,647
Cash and cash equivalents at end of year	**7**	**60,578**	**25,059**

The above statement should be read in conjunction with the accompanying notes.

NOTES

TO THE FINANCIAL STATEMENTS

1. 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. The financial report is for the consolidated entity consisting of Moorebank Intermodal Company Limited (the Company) and its subsidiaries.

Moorebank Intermodal Company Limited (the parent) 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. MIC is a Government Business Enterprise, incorporated under the *Corporations Act 2001* and operating under the *Public Governance, Performance and Accountability Act 2013*. MIC was incorporated on 13 December 2012.

The consolidated financial report of the Company as at and for the year ended 30 June 2018 comprises the Company and its subsidiaries, together referred to as the "Group".
The ultimate controlling entity of the Group is the Commonwealth Government.

a) Basis of preparation

The consolidated 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.

The consolidated financial statements are general purpose financial statements.

MIC 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.

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

(ii) New and amended standards adopted by 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. The Group's assessment of the impact of these new standards and interpretations are set out below.

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

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard came into effect on 1 January 2018. Recent amendments have introduced revised rules around hedge accounting and impairment of financial instruments. The new impairment model is intended to result in earlier recognition of losses through general provisions. Adoption of this standard has had no impact on the recognition and measurement of the Group's financial instruments as they are carried at fair value through profit or loss, including the Group's non interest bearing intercompany loans. The Group does not apply hedge accounting.

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

AASB 15 replaced 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.

The adoption of AASB 15 has had no impact on the Group's accounting policies or the amounts recognised in the financial year 2017-18 financial statements.

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

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

MIC expects to apply AASB 16 *Leases* from financial year 2019 – 20. This Standard will require the net present value of payments under most operating leases to be recognised as assets and liabilities. Currently MIC has $0.7 million in operating lease commitments.

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 notes 10 and 11.

(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 financial statements.

As at 30 June 2018, the Group has net assets of $137.0 million (2017: $103.4 million) and a net current liability position of $84.7 million (2017: $17.8 million).

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

- the Group has $60 million in cash; and
- $135 million of additional equity available to be drawn from the Commonwealth of Australia under the equity funding agreement.

The Group has $60 million of uncommitted funding and therefore it is appropriate to prepare the financial statements on the going concern basis.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, to the extent it is probable the economic benefit will flow to the Group and the revenue can be reliably measured.

e) Cash and cash equivalents

Cash and cash equivalents includes: 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.

f) Trade and other receivables

Trade and other receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest 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.

Any impairment allowance for doubtful debts raised to reduce the carrying amount of receivables is based on a review of outstanding balances at balance sheet date.

g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation on assets is calculated using the straight line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

Useful Life:	
Leasehold office improvements	3 years

h) Assets under Construction

The construction of the rail access works 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.

i) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise a 65.63% unitholding in Moorebank Precinct Land Trust. The investment in Moorebank Precinct Land Trust is held at fair value. The value is supported by a discounted cashflow valuation prepared by an independent valuer for Moorebank Precinct Land Trust

j) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group recognises all financial assets and financial liabilities on the dates they originate. All other financial assets and financial liabilities are recognised initially on the trade date.

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.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

k) 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 MIC.

l) Impairment of 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.

m) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 19).

n) 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.

o) Provisions

Provisions for legal claims and land preparation works 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.

p) 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.

q) Share capital

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

r) 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 2017-18 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

Deferred tax assets and liabilities are offset only if certain criteria are met.

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.

(ii) Goods and Services Tax
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.

2. Significant accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, management made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The provision for land preparation works, outlined in Notes 4 and 21, recognises the Group's contractual obligation to remediate and rezone five parcels of land, leased by the Commonwealth to The Company's subsidiary, Moorebank Intermodal Development Investment Trust.

Management's estimate of the total cost at completion of land preparation works has considered the remediation already performed on the site, the nature of the remediation required, the expected cost of establishing a bio diversity site, an allowance for consultants and related costs. Estimates have been based in advice provides by qualified specialist consultants, and quotes where received and includes an allowance for potential variations.

The Group has taken all reasonable steps when estimating the total cost of rezoning and remediating the land. However, given the uncertainty in the contamination levels and land preparation costs, it is likely the final outcome will be different from the original liability established. The year-end provision represents a reasonable estimate of the forecast cost at completion.

3. Revenue

	2018 $'000	2017 $'000
Interest income	668	296
Other income	1	-
Total Revenue	669	296

4. Expenses

	2018 $'000	2017 $'000
EMPLOYEE BENEFITS		
Wages and salaries	1,822	1,854
Defined contribution superannuation expense	169	191
Total employee benefits expense	**1,991**	**2,045**
ADVISER COSTS		
Technical Consultant Fees	107	(82)
Commercial Fees	79	-
Legal Fees	1,105	192
Stakeholder Management	328	264
Financial / Governance	216	57
Other	15	-
Total Adviser Costs	**1,850**	**431**
DEPRECIATION		
IT Equipment	5	1
Leasehold improvements	37	38
Total depreciation	**42**	**39**
AMORTISATION		
Computer Software	-	1
Total amortisation	**-**	**1**
Total depreciation and amortisation	**42**	**40**
OTHER EXPENSES		
Land preparation works	82,050	-
Other	295	361
Total other expenses	**82,345**	**361**

The estimated total cost of remediating and rezoning five parcels of land has increased from $142.3 million to $224.3 million, an increase of $82 million.

The increase is due to increased levels of identified contamination found on the site, higher than expected escalation of civil construction costs in the Sydney market and a significant increase in the cost of establishing the bio diversity site.

5. Income tax expense (benefit)

	2018 $'000	2017 $'000
(A) INCOME TAX EXPENSE / (BENEFIT)		
Deferred tax - in respect of the current year	(24,454)	(1,649)
Total income tax benefit	**(24,454)**	**(1,649)**
NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
(Loss) before income tax benefit	**(86,924)**	**(5,462)**
Tax at the Australian tax rate of 30%	(26,077)	(1,638)
Permanent differences	1	(11)
Under (over) provision	643	-
Income tax benefit	**(25,433)**	**(1,649)**

	ETR	2018 $'000	ETR	2017 $'000
(B) EFFECTIVE TAX RATES				
(Loss) before income tax		(86,599)		(3,389)
Income tax calculated @ 30%	**30.00%**	**(25,979)**	**30.00%**	**(1,017)**
Tax effect of equity accounted investment loss	0.11%	(98)	18.35%	(622)
Permanent differences - entertainment	0.00%	1		2
Permanent differences - advisers	0.00%	-		(12)
Prior year adjustments	-0.74%	643		-
Income tax benefit	**29.37%**	**(25,433)**	**48.65%**	**(1,649)**

6. Other comprehensive income

	2018 $'000	2017 $'000
Gain on recognition of head lease	-	13,236
Total	**-**	**13,236**

On 24 January 2017, five parcels of land were leased to a subsidiary of the Group by the Commonwealth of Australia. On the same day, they were subsequently subleased to Moorebank Precinct Land Trust. The lease period is 99 years.

The contribution of Commonwealth land to the Group was for nominal consideration and is therefore deemed a contribution by the owner.

Interpretation 1038 applies to transfers between wholly-owned public-sector entities and outlines the requirements to recognise an owner's contribution via equity, including:

(i) the issuance, in relation to the transfer, of equity instruments which can be sold, transferred or redeemed;

(ii) a formal agreement, in relation to the transfer, establishing a financial interest in the net assets of the transferee which can be sold, transferred or redeemed; or

(iii) formal designation of the transfer (or a class of such transfers) by the transferor or a parent of the transferor as forming part of the transferee's contributed equity, either before the transfer occurs or at the time of the transfer.

Recognition of both the head lease and sublease includes the investment in Moorebank Precinct Land Trust $155.5 million, a provision equal to the estimated total cost of remediation of $142.3 million, and a gain of $13.2 million.

7. Current assets – Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank	60,578	25,059
Total	**60,578**	**25,059**

The Group's exposure to interest rate risk is discussed in Note 24.
Cash at bank earns interest at floating rates based on daily bank deposit rates.

8. Current assets – Trade and other receivables

	2018 $'000	2017 $'000
GST receivable	1,138	81
Total	**1,138**	**81**

9. Current assets – Other current assets

	2018 $'000	2017 $'000
Prepayments	161	186
Total	**161**	**186**

10. Non-current assets - Investment in subsidiaries

On 29 May 2015, The Company formed two wholly owned subsidiaries:
i. Moorebank Intermodal Development Investment Nominees Proprietary Limited (MIC Land Trust)
ii. Moorebank Intermodal Development Rail Nominees Proprietary Limited (MIC Rail Trust)

11. Non-current assets - Investment in controlled entities

Subsidiary	Country of Incorporation	Ownership Interest 2018	Ownership Interest 2017
Moorebank Intermodal Development Investment Nominees Pty Ltd	Australia	100%	100%
Moorebank Intermodal Development Rail Nominees Pty Ltd	Australia	100%	100%

Trust	Country of Incorporation	Ownership Interest 2018	Ownership Interest 2017
Moorebank Intermodal Development Investment Trust	Australia	100%	100%
Moorebank Intermodal Development Rail Trust	Australia	100%	100%

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

	Leasehold improvements $'000	IT Equipment $'000	Total $'000
YEAR ENDED 30 JUNE 2017			
Opening net book value	4	1	5
Additions	184		184
Depreciation charge	(38)	(1)	(39)
Net book value	**150**	**-**	**150**
AS AT 30 JUNE 2017			
Cost	184	18	202
Accumulated depreciation	(34)	(18)	(52)
Net book value	**150**	**-**	**150**
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**

13. Non-current assets – Assets under construction

	2018 $'000	2017 $'000
Opening balance	19,533	6,135
Additions	31,554	13,398
Total	**51,087**	**19,533**

Assets under construction represents preliminary work on the construction of a rail access line connecting the intermodal terminal to the Southern Sydney Freight Line.

14. Non-current assets – Equity accounted investees

	2018 $'000	2017 $'000
Investment in joint ventures	153,145	153,470
Total	**153,145**	**153,470**

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% 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 7.4% was $243.7 million, with the MIC Land Trust's 65.63% share being $159.94 million.

	2018 $'000	2017 $'000
CURRENT ASSETS	2,469	1,333
Non-current assets	244,312	237,141
Current liabilities	(3,200)	(23)
Non-current liabilities	(10,228)	(4,603)
Net assets	233,353	233,848
Group's share of net assets (65.63%)	**153,152**	**153,477**
Units	(7)	(7)
Carrying amount of interest in joint venture	**153,145**	**153,470**
Revenue	7,165	141
Expenses	(7,660)	(3,299)
Loss and total comprehensive income	(495)	(3,158)
Group's share of total comprehensive loss (65.63%)	**(325)**	**(2,073)**

15. Non-current assets – Financial assets

	2018 $'000	2017 $'000
Non-interest-bearing loans to related parties	6,713	3,021
Total	**6,713**	**3,021**

The balance at 30 June 2018 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 (10th) anniversary of the request.

16. Non-current assets – Other non-current assets

	Voluntary Planning Contributions $'000	Technical Advisers $'000	Formation Joint Venture $'000	Total $'000
OPENING BALANCE AS AT	**-**	**2,001**	**10,963**	**12,964**
Additions	1,792	374	-	2,166
Transfers	-	-932	-	(932)
	1,792	**1,443**	**10,963**	**14,198**

17. Non-current assets – Deferred tax assets

	2018 $'000	2017 $'000
TEMPORARY DIFFERENCES		
Opening balance	2,761	2,840
Provisions and accruals	24,697	(100)
Project costs	13	21
Prior year adjustments - return to provision		-
	27,471	**2,761**
UNUSED TAX LOSSES AND CREDITS		
Opening balance of unused tax losses	5,954	4,226
Prior year adjustments - return to provision	(643)	-
Current year losses / (Recoupment)	1,366	1,728
	6,677	**5,954**
Total	**34,148**	**8,715**
MOVEMENTS:		
Opening balance at 1 July	8,715	7,066
Credited to the Consolidated Statement of Profit and Loss and Other Comprehensive Income	25,433	1,649
Closing balance at 30 June	**34,148**	**8,715**

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 $34.1 million is considered appropriate following an assessment of the overall forecast profit and taxation position.

18. Current liabilities – Trade and other payables

	2018 $'000	2017 $'000
Trade payables	12,286	135
Accruals	5,465	1,159
Other payables	68	62
Total	**17,819**	**1,356**

Trade payables are settled within 30 days. Accruals primarily relate to rail access works performed in June 2017. Information about the Group's exposure to interest rates and liquidity risk is set out in note 24.

19. Operating leases

	2018 $'000	2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	211	203
Later than one year but not later than five years	470	678
Later than five years	-	-
Total	**681**	**881**

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 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.

20. Contingent assets and liabilities

As at 30 June 2018, except for the point discussed in Note 21, the Group does not have any contingent assets and liabilities.

21. Provisions

	Leasehold Incentive $'000	Employee Benefits $'000	Land Preparation Works $'000	Total $'000
Balance as at 1 July 2017	**110**	**13**	**118,246**	**118,369**
Provisions made during the year		19	82,050	82,069
Provisions used during the year	(27)		(33,890)	(33,917)
Provisions reversed during the year	-	-	-	-
Balance as at 30 June 2018	**83**	**32**	**166,406**	**166,521**
Current	27	32	128,600	128,659
Non-current	56	-	37,806	37,862
Total	**83**	**32**	**166,406**	**166,521**

On 24 January 2017, the Group entered into a 99-year head lease with the Commonwealth Government for five parcels of land at Moorebank. Under the lease, the Group has an obligation to remediate the land.

Land Preparation Works Provision
The total cost to rezone and remediate the land is estimated to be $224.3 million, a provision of $82.0 million is recognised in the current year, (2017: $142.3 million). Costs to date include $50.5 million of direct construction costs and $7.4 million of other costs.

This is a significant level of uncertainty about the final quantum of these costs, as discussed in Note 2.

Employee Benefits
Provision for employee benefits represents amounts accrued for annual leave.

22. Contributed equity

a) Share capital	2018 $'000	2017 $'000
Fully paid	206,000	111,000
	206,000	**111,000**
Number of ordinary shares	**206,000,000**	**111,000,000**

b) Movements in ordinary share capital

Date	Details	Number of shares	$'000
30-Jun-16	**Balance**	**69,000,000**	**69,000**
02-Feb-17	Equity injection No. 10	14,000,000	14,000
21-Jun-17	Equity injection No. 11	28,000,000	28,000
30-Jun-17	**Balance**	**111,000,000**	**111,000**
20-Sep-17	Equity injection No. 12	10,000,000	10,000
30-Nov-17	Equity injection No. 13	30,000,000	30,000
18-Apr-18	Equity injection No. 14	50,000,000	50,000
24-May-18	Equity injection No. 15	5,000,000	5,000
30-Jun-18	**Balance**	**206,000,000**	**206,000**

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.

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

	2018 $'000	2017 $'000
(Loss) for the year	(61,264)	(2,362)
ADJUSTMENTS FOR:		
Depreciation and amortisation	42	40
Increase in remediation provision	82,050	-
Non-cash taxation benefit	(25,335)	(1,027)
Operating (loss) before changes in working capital and provisions	**(4,507)**	**(3,349)**
Changes in trade debtors and other receivables	(1,057)	399
Changes in other current assets	25	(2,078)
Changes in non current assets	(96)	-
Changes in trade and other payables	1,261	(546)
Changes in provisions	(27)	70
Net cash (outflow) from operating activities	**(4,401)**	**(5,504)**

24. Financial risk management

The Group's principal financial instruments comprise cash 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 2018, the Group held the following financial instruments:

	2018 $'000	2017 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	60,578	25,059
Non-interest-bearing loans to related parties	6,713	3,021
Total	**67,291**	**28,080**
FINANCIAL LIABILITIES		
Trade and other payables	12,355	197
Total	**12,355**	**197**

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 2018, the Group had no interest-bearing financial liabilities.

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
Property, Plant and Equipment	-	-	135	135
Assets under construction			51,087	51,087
Equity accounted investees	-	-	153,145	153,145
Total	**-**	**-**	**204,367**	**204,367**

The table below shows are reconciliation of opening balances to closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	2018 Consolidated $'000	2017 Consolidated $'000
Balance as at 1 July 2017	173,153	6,140
Additions	31,581	184
Transfers to level 3		155,705
Total gains & losses recognised in:		
Profit and loss	(367)	(39)
Other comprehensive income	-	11,163
Balance as at 30 June 2018	**204,367**	**173,153**

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 7.4% was $243.7 million, with the MIC's 65.63% share being $159.94 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.

25. 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 Commonwealth Government.
There were no transactions with subsidiaries during the financial year ended 30 June 2018.

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.

26. 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:

	ENTITLEMENT (EXCLUDING SUPER)	
Position	From 1 July 2018	From 1 July 2017
Chair	116,840	114,540
Non-executive director	58,420	57,270

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

i. Chair

K Schott

ii. Non-executive director

P Binsted
L Di Bartolomeo
C Filson
R Wilson
J Briggs

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% of the reference rate. For the period until 30 April 2018, the annual reference rate for the Chief Executive Office was $548,360. The remuneration of the Company's other senior executives is determined by the board annually, based on the Chief Executive Officer's recommendation, an evaluation of current market rates for roles involving similar responsibilities and capabilities, and the performance of the person in the past year against pre-determined personal performance indicators.

Chief Executive Officer
I Hunt (resigned 30 Apr 2018)
Interim Chief Executive Officer
D Jurd(appointed 1 May 2018)
General Counsel/Company Secretary
J Webster
Delivery Director
A Vaccaro

In FY2016–17, the executive remuneration was:

EXECUTIVE REMUNERATION		Short Term benefits			Post employment	Other long term benefits		Total
Position	Year	Base salary / fees	STI / Bonusses	Non-cash benefits	Super	STI deferral	Long service leave	remuneration
Chief Executive Officer *	FY 16 - 17	528,744	80,000	-	19,616	-	-	628,360
	FY 17 - 18	540,911	76,000	-	20,049	-	-	636,960
Chief Executive Officer (interim) *	FY 16 - 17	-	-	-	-	-	-	0
	FY 17 - 18	111,875	-	-	-	-	-	111,875
General Counsel	FY 16 - 17	327,384	35,000	15,943	19,616	-	-	397,943
	FY 17 - 18	329,874	42,000	18,882	20,049	-	-	410,805
Delivery Director	FY 16 - 17	322,384	35,000	-	19,616	-	-	377,000
	FY 17 - 18	329,951	25,000	-	20,049	-	-	375,000
Total executive management	**FY 16 - 17**	**1,178,512**	**150,000**	**15,943**	**58,848**	**0**	**0**	**1,403,303**
	FY 17 - 18	**1,312,611**	**143,000**	**18,882**	**60,147**	**0**	**0**	**1,534,640**

** Chief Executive Officer resigned effective 30 April 2018. Interim Chief Executive Officer is engaged as a contractor for an initial period of three months.*

c. Remuneration of directors and key management personnel

	2018 $	2017 $
Short-term employee benefits	1,913	1,537
Post-employment benefits	102	106
Total	**2,015**	**1,643**

27. Auditor remuneration

	2018 $'000	2017 $'000
Australian National Audit Office		
Audit of financial report	94	94
Total auditor's remuneration	**94**	**94**

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.

28. Parent entity financial information

As at and throughout the financial year ended 30 June 2018 the parent company of the Group was Moorebank Intermodal Company Ltd.

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

	2018 $'000	2017 $'000
RESULT OF THE PARENT ENTITY		
Loss for the year	21,607	(2,306)
Other comprehensive income		-
Total comprehensive income for the period	**21,607**	**(2,306)**
FINANCIAL POSITION OF THE PARENT ENTITY AT YEAR END		
Current assets	60,916	25,253
Non-current assets	148,884	67,037
Total assets	**209,800**	**92,290**
Current liabilities	1,060	455
Non-current liabilities	408	110
Total liabilities	**1,468**	**565**
Net assets	**208,332**	**91,725**
TOTAL EQUITY OF THE PARENT ENTITY		
Issued capital	206,000	111,000
Retained profits	2,332	(19,275)
Total equity	**208,332**	**91,725**

DIRECTORS' DECLARATION

MOOREBANK INTERMODAL COMPANY

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Sydney NSW 2000

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f +61 2 8265 5650
www.micl.com.au

ABN 64 161 635 105

Ref: MIC-S- -2018348-AA

For the year ending 30 June 2018

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

(a) the consolidated financial statements and notes set out on pages 42 to 69 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, the Corporations Regulations 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 2018 and of 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) 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 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 on 19 September 2018 in accordance with a resolution of the Directors.

Kerry Schott AO
Chair

19 September 2018

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 and its subsidiaries (together the consolidated entity) for the year ended 30 June 2018 is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 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 consolidated entity, which I have audited, comprises the following statements as at 30 June 2018 and for the year then ended:

- Consolidated Statement of Profit and 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 Report, 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 consolidated entity in accordance with 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 Moorebank Intermodal Company Limited, 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 comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report 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.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

In connection with my audit of the financial report, my responsibility is to read the other information identified above 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.

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 Moorebank Intermodal Company Limited 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 consolidated entity's ability 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 consolidated entity 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 consolidated entity'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 consolidated entity'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 consolidated entity 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 consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the consolidated entity audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance 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.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Australian National Audit Office

Lesa Craswell
Executive Director

Delegate of the Auditor-General

Canberra
19 September 2018

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For the year ended 30 June 2018

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28E	Information about directors including: ° Name; ° Qualifications; ° Experience; ° Number of meetings attended by the director during the period; and ° whether director is an executive or non-executive director.	Directors' Report	25-30
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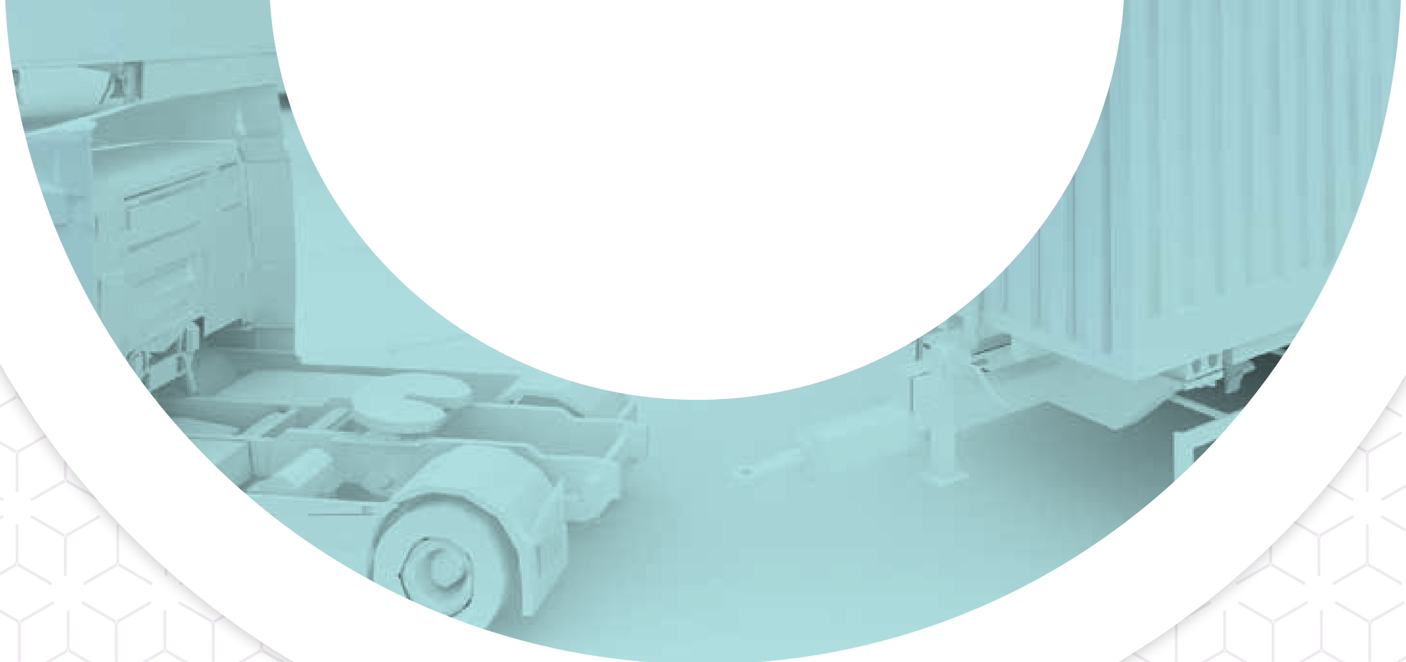

APPROVAL BY DIRECTORS

This Annual Report was approved by a resolution of the Directors of Moorebank Intermodal Company Limited, made on 19/09/2018.

Kerry Schott AO
Chair