Qube Holdings Limited ABN 14 149 723 053
Interim report - 31 December 2017

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Qube Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' report

The directors present their report on the consolidated entity consisting of Qube Holdings Limited (Qube), and the entities it controlled at the end of, or during, the half year ended 31 December 2017.

Directors

Other than Ms Palmer who was appointed on 1 September 2017,the following persons were directors of Qube during the whole of the half year and up to the date of this report:

Allan Davies	(Non-executive Chairman)	
Sam Kaplan	(Non-executive Deputy Chairman)	
Maurice James	(Managing Director)	
Ross Burney	(Non-executive Director)	
Peter Dexter	(Non-executive Director)	
Alan Miles	(Non-executive Director)	
Sue Palmer	(Non-executive Director)	*Appointed 1 September 2017*
Åge Holm	(Alternate to Peter Dexter)	

Dividend

The Directors have declared a fully franked interim dividend of 2.7 cents per share payable on 5 April 2018.

Review of operations

<u>Overview</u>

Qube's financial performance in the six months to 31 December 2017 was pleasing with solid contributions from all divisions. Volumes were robust in most areas of Qube's operations including container volumes, vehicle imports, forestry products, bulk commodities and there was also some improvement in oil and gas related activities. Grain volumes were the only significant area of weakness due to adverse weather conditions in New South Wales (NSW) and southern Queensland. Despite strong volumes in the period, the operating environment remained very competitive with continued rate pressures being experienced across most areas of the business. Qube's strong market positions, scale from past investment in infrastructure, property, equipment and technology has enabled Qube to achieve a pleasing overall financial result despite these challenges.

Qube reported underlying revenue of $811.9 million (+7.1%), underlying earnings (EBITDA) of $134.3 million (-2.5%) and underlying net profit after tax before amortisation (NPATA) of $61.6 million (-9.0%). The overall decline in earnings compared to the prior corresponding period, despite the solid operating and financial performance from all of Qube's divisions, reflects the benefit of a $22.2 million pre-tax contribution from Qube's Asciano shareholding that was realised in the prior corresponding period as part of the completion of the Patrick acquisition.

Adjusting for the Asciano contribution in the prior corresponding period, underlying EBITDA increased by 16.2% and underlying NPATA increased by 18.0%.

Underlying earnings per share pre-amortisation (EPSA) was 3.8 cents, a decline of around 24% on the prior corresponding period. The decline in EPSA was due to the lower NPATA as well as the increased weighted average number of shares in the period compared to the prior corresponding period. This was partly a result of the $350 million capital raising completed in June 2017 to fund Qube's Moorebank project and other growth opportunities which are in the development phase and therefore not yet generating their target returns.

The Moorebank project is expected to deliver significant long term earnings for Qube once the development is completed and the operations and warehousing have achieved sufficient scale. However, during the development and early growth phase, the earnings contribution is expected to be modest and not reflective of the substantial value that has been created. This approach reflects Qube's focus on sustainable value creation rather than short term earnings.

Statutory revenue increased by 5.6% to approximately $797.2 million and statutory profit after tax attributable to shareholders decreased by around 5.4% to $45.2 million. Statutory diluted earnings per share decreased by around 20.0% to 2.8 cents per share.

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

During the period Qube's Lost Time Injury Frequency Rate (LTIFR) improved by over 37% to 1.5 Lost Time Injuries (LTIs) per million hours worked reflecting Qube's ongoing focus and commitment to ensuring a safe workplace.
In addition to the solid financial and safety performance, significant progress was made with the Moorebank Logistics Park (MLP) project.

In August 2017, Qube announced that it had secured commitments for its first tenants for Moorebank being Target Australia (Target) and Qube Logistics, representing a total warehouse commitment of approximately 80,000m² or just under 10% of the total warehousing capacity which was consistent with Qube's internal business case assumptions. Target signed a 10 year warehouse agreement for lease (with options to extend), and also signed a 5 year logistics contract (also with options to extend) with Qube Logistics for the transport of Target's containers from Port Botany to Moorebank. Qube believes that this provides further validation of the Moorebank strategy and particularly the substantial cost and efficiency benefits for customers that choose Moorebank for their warehouse location based on a consideration of the entire logistics supply chain.

In February 2018, Qube reached in-principle agreement (currently being documented) with a prospective tenant to reserve 150,000m² of land at Moorebank for up to 7 years for the future construction of a major warehouse.

This arrangement would provide the counterparty with the certainty of site security at Moorebank whilst both parties work together in the planning of the longer term operational requirements. The counterparty has significant import volumes thereby making them an ideal prospective tenant for Moorebank.

Under the terms that have been agreed, Qube will receive an annual payment for so long as the formal agreement remains on foot or until a lease agreement has been entered into. Both parties will continue to work closely to develop commercial terms of an agreement for lease by 2022.

Qube continues to receive strong interest from a range of prospective tenants for the Moorebank site. However, to maximise the long term value from the project for the benefit of Qube's shareholders, Qube will continue to be selective in its choice of tenants and will focus on securing tenants that directly or indirectly drive significant volumes of containerised freight. These types of tenants will derive maximum value from the substantial cost savings and service improvements that being located at Moorebank can offer due to the highly efficient logistics supply chain for freight moving between Port Botany and Moorebank.

The construction of the precinct infrastructure and stage 1 of the import-export (IMEX) rail terminal is well underway and the timetable remains on track for operations to commence in the first quarter of calendar 2019. Planning approval was received in late January 2018 for Moorebank Precinct East – Stage 2 which was a key requirement to enable the timely construction of the initial warehouses. The rail access works to connect the dedicated Southern Sydney Freight Line (SSFL) to the MLP site is also well progressed. Qube is managing the procurement of contractors for this activity on behalf of the Moorebank Intermodal Company (MIC) for which it is receiving a fee.

There is significant ongoing complexity in the NSW planning process, particularly given the involvement of MIC and multiple State agencies in securing the required approvals. Despite this complexity and some delays, the approvals received to date reflect Qube's extensive management focus on ensuring the project remains on track and within the target timeframes.

Qube also completed several funding initiatives during the period consistent with its strategy of diversifying its funding sources, extending the tenor of its debt and ensuring that it maintains adequate liquidity to fund suitable growth opportunities. This included establishing new five year bilateral debt facilities to replace its existing bilateral and syndicated debt facilities and the issuance of US$150 million in the US Private Placement (USPP) market across 7, 10 and 12 year maturities. The collective outcome of these initiatives was to open a new funding market for Qube and to extend the average maturity of Qube's borrowing facilities from 2.9 years at the start of FY18 to 5.4 years at 31 December 2017.

Qube retained its conservative approach to its balance sheet, finishing the period with a leverage ratio (being net debt / net debt plus equity) of around 22.6% being below the bottom end of Qube's target leverage ratio of 30%-40%.

The interim dividend has been maintained at 2.7 cents per share, fully franked, reflecting Qube's strong cashflow generated in the period and positive outlook.

<u>Logistics Division</u>

The Logistics division reported underlying revenue growth of 11.0% to $365.0 million but a slight decline in underlying earnings (EBITA) of 1.9% to $36.0 million. The earnings decline reflected the cost inefficiencies associated with the exit in April 2017 from the Sydney Haulage rail site at Port Botany in NSW and the need to relocate the remaining business across multiple sites (consistent with previous guidance). Earnings were also impacted by the very low grain volumes hauled as a result of the drought in NSW and southern Queensland which impacted bulk rail volumes hauled by Qube Rail as well as volumes of containerised grain exports.

Revenue and earnings across the other parts of the business were generally in line with expectations and the division was successful in securing new business.

The acquisition of Maritime Container Services Pty Ltd (MCS), which was completed on 27 December 2017, provides Qube with a larger site with a rail terminal and empty container park operations to replace the Sydney Haulage site and improve efficiency. Qube has given an undertaking to the ACCC that it will not integrate the MCS operation with its existing business until 15 March 2018 by which time the ACCC is expected to have completed its review of the acquisition.

<u>Ports & Bulk Division</u>

The Ports & Bulk division delivered a very strong financial performance with underlying revenue growth of 9.9% to $399.6 million and underlying earnings (EBITA) increasing by 20.0% to $42.0 million. The period saw continued strength in volumes across most areas of the business including vehicles, forestry products, cement, steel, most bulk commodities as well as an improvement in oil and gas related activity. Although it continued to experience high throughput and generate acceptable returns on investment, the total volume handled by Qube at Utah Point declined from around 12.7 million tonnes in H1-FY17 to approximately 10.4 million tonnes in the period to 31 December 2017 as a result of the closure of one of the mines of a major customer.

The business remains well diversified by product and customer and continues to focus on securing additional business through its unrivalled network of locations and established track record of delivering innovative, cost effective and reliable logistics solutions.

The associates in the division had mixed results with an overall NPAT loss of $0.2 million as continued losses by Prixcar offset Qube's share of profit from NSS. In the prior corresponding period, Qube reported a $2.3 million profit from the divisional associates although this included a $3.2 million NPAT contribution from Qube's investment in Australian Amalgamated Terminals (AAT). On 30 November 2016, Qube acquired the other 50% of AAT and has reported its consolidated results in the Strategic Assets division thereafter.

As a result of the ongoing weak financial performance and outlook for Prixcar, Qube has further impaired its investment in Prixcar by $6.0 million.

<u>Strategic Assets</u>

The six months to 31 December 2017 was a very busy period for this division with substantial progress having been made in respect of both the development activities and securing key tenants for the Moorebank site. The financial performance in the period also exceeded internal expectations largely due to a very strong contribution from AAT.

Underlying revenue and underlying EBITA have increased significantly to $47.2 million and $15.0 million respectively. The large increase is attributable to the contribution from AAT for a full six months compared to only one month in the prior corresponding period, as well as high volumes of motor vehicles and mining related vehicles across its facilities. The result also benefitted from higher income from MIC funded works at Moorebank although these were offset by higher costs as internal resources were increased to ensure the effective delivery of the project as it continues to ramp up.

As previously advised, earnings from Minto Properties were lower compared to the prior period as the capex is being undertaken on the site in preparation for the commencement of a new lease with Mazda and earnings are expected to increase from FY19.

The divisional associates, Quattro Grain and TQ Holdings, generated an overall NPAT loss for Qube of $1.1 million compared to a profit of $0.1 million in the prior corresponding period. The loss was mainly due to Qube's investment in Quattro Grain which was adversely impacted by very low grain volumes through its facility as a result of the drought in NSW and southern Queensland.

As noted above, significant progress was made in relation to planning approvals, construction and development activities for Moorebank during this period. The recent in-principle agreement to reserve substantial land within the development for a prospective tenant further demonstrates the early traction that Qube is having in securing anchor tenants.

<u>Patrick</u>

The operational and financial performance of Patrick during the period was broadly consistent with Qube's expectations. Qube's 50% interest in Patrick contributed a total of approximately $13.0 million underlying NPAT ($16.6 million NPATA) to Qube's earnings for the period, an increase of 1.6% and 8.5% respectively on the prior corresponding period which only included 4.5 months of Qube's ownership of Patrick. This comprised $8.7 million in interest income (net of tax) and the balance being Qube's share of Patrick's profit after tax. The statutory contribution to Qube's NPAT (being interest income and share of profit after tax) was a profit of $13.0 million.

Market growth was strong with an increase in lifts of around 7% for the 6 months to December 2017 compared to the prior corresponding period. Patrick's volumes benefitted from several factors including market growth, organic growth within its customer base, a new customer win in the period and subcontracted volumes from other stevedores which collectively helped to mitigate the full period impact of the loss in October 2016 of the sizeable A3 contract.

Despite the positive volume trend, rates remained under pressure with the market remaining highly competitive as a result of surplus terminal capacity due to three stevedores in Sydney, Melbourne and Brisbane, and ongoing shipping line consolidation. Qube believes that this is a short term issue and over the medium term, if market volumes continue to grow at or above its expected long term target of at least 3-4% pa (i.e. slightly above GDP growth), then customers will again prioritise service levels and efficiency.

Patrick will continue to focus on improving its operational performance and productivity in order to reduce its costs and maintain the delivery of its superior service to its customers. Management is on track to deliver the cost savings / synergies identified as part of the acquisition case analysis and has also set targets to improve crane productivity over the short to medium term. Planning is continuing for the development of an automated rail terminal at Patrick's Port Botany facility which would significantly reduce costs and improve the efficiency of moving containers from vessels to rail.

During the period, Patrick implemented a new or increased infrastructure levy in response to increasing property and property related costs and past investment in infrastructure to improve the capacity and performance at the terminal's landside interface operations. Post period end, Patrick announced that the infrastructure levy will increase from March 2018.

Summary and Outlook

Qube delivered solid results in the six months to 31 December 2017 with pleasing contributions from all divisions despite ongoing competitive pressures. The financial performance reflects Qube's strong market positions, diversified operations and the benefits of past investment to build scale and operational capacity and capabilities.

In addition to the solid financial performance, Qube continued to strengthen its funding position ensuring it retained adequate liquidity by tapping into new funding markets and extending the tenor of its facilities whilst maintaining a conservative level of leverage to pursue further investment in growth opportunities.

Qube's Moorebank Logistics Park project continued to achieve key milestones with substantial progress on the construction of the precinct infrastructure, additional planning approvals were secured and agreements entered into with prospective tenants for the Moorebank site.

The continued achievement of key milestones required for the project to be operational in Q1-2019 will require satisfaction of the necessary NSW planning approval conditions and receipt of required approvals from the Commonwealth's Moorebank Intermodal Company.

Qube currently expects the economic and operating environment for the remainder of FY18 to be similar to the first half with relatively stable volumes and limited capacity to secure rate increases. Qube will aim to maximise its margins through its ongoing cost focus and by leveraging its past investment in facilities, equipment and technology to drive scale, operational efficiencies and by delivering a superior customer service.

Overall, subject to no material adverse change to economic or operating conditions, Qube continues to expect to deliver an increased underlying net profit after tax (pre-amortisation) in FY18.

Matters subsequent to the end of the period

Other than as noted above, no other matter or circumstances has arisen since 31 December 2017 that has significantly affected the Qube's operations, results or state of affairs, or may do so in future years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

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

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

Allan Davies
Chairman

Sydney
21 February 2018

Auditor's Independence Declaration

As lead auditor for the review of Qube Holdings Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
21 February 2018

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	Notes	**31 Dec 2017 $m**	31 Dec 2016 $m
Revenue from continuing operations			
Revenue from sales and services	3	**777.0**	693.0
Other income	3	**20.2**	62.0
Total income		**797.2**	755.0
Direct transport and logistics costs		**216.1**	187.3
Repairs and maintenance costs		**37.1**	41.3
Employee benefits expense	4	**299.7**	273.8
Fuel, oil and electricity costs		**47.0**	40.9
Occupancy and property costs		**45.5**	35.7
Depreciation and amortisation expense	4	**56.6**	54.5
Professional fees		**2.1**	4.9
Impairment of non-current assets		**6.0**	-
Loss on disposal of available-for-sale financial assets		**-**	26.1
Other expenses		**15.3**	7.9
Total expenses		**725.4**	672.4
Finance income		**13.2**	10.7
Finance costs	4	**(21.2)**	(15.2)
Net finance costs		**(8.0)**	(4.5)
Share of net profit/(loss) of associates accounted for using the equity method		**3.0**	(22.7)
Profit before income tax		**66.8**	55.4
Income tax expense		**(21.6)**	(7.6)
Profit for the half year		**45.2**	47.8
Other comprehensive income for the half year, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(2.7)**	0.6
Change in value of available-for-sale financial assets		**-**	(7.0)
Change in fair value of cash flow hedges		**(1.2)**	-
Share of other comprehensive income of joint venture		**1.2**	-
Total comprehensive income for the half year, net of tax		**42.5**	41.4
Profit for the half year attributable to:			
Owners of Qube Holdings Limited		**45.2**	47.8
Non-controlling interests		**-**	-
		45.2	47.8
Total comprehensive income for the half year is attributable to:			
Owners of Qube Holdings Limited		**42.5**	41.4
Non-controlling interests		**-**	-
		42.5	41.4
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**2.8**	3.5*
Diluted earnings per share		**2.8**	3.5*

* The comparative information has been restated to include the dilutive impact of the discount element of the entitlement offer.

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

ASSETS	Notes	31 Dec 2017 $m	30 June 2017 $m
Current assets			
Cash and cash equivalents		**122.8**	190.8
Trade and other receivables		**305.5**	296.3
Inventories		**2.3**	2.0
Tax receivable		**-**	4.4
Total current assets		**430.6**	493.5
Non-current assets			
Loans and receivables	10	**328.8**	344.4
Investment in equity accounted investments	5	**743.6**	757.7
Property, plant and equipment		**931.1**	906.6
Investment properties	9	**473.9**	394.5
Intangible assets	6	**839.5**	782.2
Other assets		**16.2**	3.2
Total non-current assets		**3,333.1**	3,188.6
Total assets		**3,763.7**	3,682.1
LIABILITIES			
Current liabilities			
Trade and other payables		**134.6**	156.0
Borrowings	8	**2.3**	0.8
Tax payable		**1.7**	-
Derivative financial instruments		**-**	0.2
Provisions		**73.9**	72.0
Total current liabilities		**212.5**	229.0
Non-current liabilities			
Trade and other payables		**0.6**	4.8
Borrowings	8	**886.4**	801.1
Deferred tax liabilities		**24.5**	25.4
Derivative financial instruments		**2.0**	0.5
Provisions		**8.8**	8.7
Total non-current liabilities		**922.3**	840.5
Total liabilities		**1,134.8**	1,069.5
Net assets		**2,628.9**	2,612.6
EQUITY			
Contributed equity	7	**2,453.2**	2,450.5
Reserves		**9.9**	(3.0)
Retained earnings		**165.8**	165.1
Total equity		**2,628.9**	2,612.6

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

		Attributable to owners					
		Contributed equity	**Reserves**	**Retained earnings**	**Total**	**Non-con-trolling interests**	**Total equity**
Balance at 1 July 2016		1,782.2	(9.6)	166.5	1,939.1	98.2	2,037.3
Profit for the half year		-	-	47.8	47.8	-	47.8
Other comprehensive income		-	(6.4)	-	(6.4)	-	(6.4)
Total comprehensive income for the half year		-	(6.4)	47.8	41.4	-	41.4
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	7	311.4	-	-	311.4	-	311.4
Issue of treasury shares to employees	7	3.2	-	-	3.2	-	3.2
Dividends provided for or paid	12	-	-	(39.9)	(39.9)	-	(39.9)
Fair value movement on allocation and vesting of securities		-	(1.4)	-	(1.4)	-	(1.4)
Transactions with non-controlling interests		-	(0.7)	-	(0.7)	(98.2)	(98.9)
Employee share schemes		-	8.1	-	8.1	-	8.1
		314.6	6.0	(39.9)	280.7	(98.2)	182.5
Balance at 31 December 2016		2,096.8	(10.0)	174.4	2,261.2	-	2,261.2
Balance at 1 July 2017		**2,450.5**	**(3.0)**	**165.1**	**2,612.6**	**-**	**2,612.6**
Profit for the half year		**-**	**-**	**45.2**	**45.2**	**-**	**45.2**
Other comprehensive income		**-**	**(2.7)**	**-**	**(2.7)**	**-**	**(2.7)**
Total comprehensive income for the half year		**-**	**(2.7)**	**45.2**	**42.5**	**-**	**42.5**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	7	**1.2**	**-**	**-**	**1.2**	**-**	**1.2**
Issue of treasury shares to employees	7	**1.6**	**-**	**-**	**1.6**	**-**	**1.6**
Dividends provided for or paid	12	**-**	**-**	**(44.5)**	**(44.5)**	**-**	**(44.5)**
Fair value movement on allocation and vesting of securities	7	**(0.1)**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Transactions with non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**
Employee share schemes		**-**	**15.6**	**-**	**15.6**	**-**	**15.6**
		2.7	**15.6**	**(44.5)**	**(26.2)**	**-**	**(26.2)**
Balance at 31 December 2017		**2,453.2**	**9.9**	**165.8**	**2,628.9**	**-**	**2,628.9**

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

	Notes	**31 Dec 2017 $m**	31 Dec 2016 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**861.7**	749.2
Payments to suppliers and employees (inclusive of goods and services tax)		**(737.8)**	(664.2)
		123.9	85.0
Dividends and distributions received		**1.5**	56.6
Interest received		**0.8**	9.5
Interest paid		**(24.4)**	(18.1)
Income taxes paid		**(16.1)**	(17.8)
Net cash inflow from operating activities		**85.7**	115.2
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	11	**(92.6)**	(90.5)
Payments for property, plant and equipment		**(66.6)**	(47.4)
Payments for investment property development expenditure		**(54.2)**	(15.7)
Payment for non-current other assets		**(2.9)**	-
Payments for investment in equity accounted investments		**(0.4)**	(151.5)
Payments for the acquisition of non-controlling interests		**-**	(98.9)
Loans advanced to related parties		**(3.3)**	(370.5)
Loan repayments received from associates and related parties		**14.2**	23.9
Proceeds from the disposal of available-for-sale financial assets		**-**	1.0
Proceeds from reduction in capital from associates		**8.8**	-
Proceeds from sale of property, plant and equipment		**2.9**	4.8
Net cash outflow from investing activities		**(194.1)**	(744.8)
Cash flows from financing activities			
Proceeds from issues of shares	7	**-**	306.5
Share issue transaction costs		**(0.8)**	(9.0)
Proceeds from borrowings		**534.6**	1,261.0
Repayment of borrowings		**(450.0)**	(896.0)
Finance lease payments		**(0.4)**	(5.7)
Dividends paid to Company’s shareholders		**(42.7)**	(28.7)
Distributions paid to non-controlling interests in subsidiaries		**-**	(0.7)
Net cash inflow from financing activities		**40.7**	627.4
Net decrease in cash and cash equivalents		**(67.7)**	(2.2)
Cash and cash equivalents at the beginning of the half year		**190.8**	76.6
Effects of exchange rate changes on cash and cash equivalents		**(0.3)**	0.3
Cash and cash equivalents at the end of the half year		**122.8**	74.7
Non–cash investing and financing activities		**1.7**	507.6

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

1 Basis of preparation of half year report

Qube Holdings Limited (the Company), is a company incorporated and domiciled in Australia. The consolidated interim financial report of the Company for the half year ended 31 December 2017 comprises the Company and its controlled entities (the Group) and the Group's interests in joint ventures and associates.

The consolidated interim financial report was approved by the Directors on 21 February 2018.

Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The Company is a company of a kind referred to in accordance with ASIC Corporations Instrument 2016/191, and amounts in the consolidated interim financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Significant accounting policies

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are consistent with those applied by the Group in the financial report for the year ended 30 June 2017 and the corresponding interim reporting period except as stated below:

Derivatives that qualify for hedge accounting

During the period, Qube entered into derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. At the inception of the transaction, Qube designated and documented these derivative instruments into a hedging relationship with the applicable hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

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

Fair value hedge

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

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

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Qube revokes designation. Any adjustment between the carrying amount and the face value of a hedged financial instrument is amortised to profit or loss using the effective interest rate method. Amortisation begins when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedge

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

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

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

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

1 Basis of preparation of half year report (continued)

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the half year reporting period ending 31 December 2017 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities and sets out new rules for hedge accounting. The standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The standard includes a single approach for the classification and measurement of financial assets, based on cashflow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AASB 139. Lastly, the standard amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the business.

Work to date has primarily focused on the Group's Treasury operations, which hold the majority of the Group's financial instruments, with a high level review of the rest of the Group. In calendar 2018, a more detailed review will be completed including analysis at a business unit level. Potential differences identified to date relate to changes to the calculation of impairment losses as well as the possibility of increased application of hedge accounting.

The new standard is required to be applied for the financial year commencing on 1 July 2018.

It is not expected that the application of this standard will have a material impact on amounts recognised in the financial statements but will require the disclosure of additional information.

(ii) AASB 15 Revenue from contracts with customers

AASB 15 *Revenue from contracts with customers* which replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts, addresses the recognition of revenue.

The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. Work to date has focused primarily on the stevedoring, transport and logistics services, as these together account for over 70% of the Group's sales revenue, with a limited review of contracts for other services. In 2018, further review of contracts will be undertaken at all businesses. To date, no material measurement differences have been identified between AASB 118, the current revenue recognition standard, and AASB 15.

AASB 15 as well as AASB 9 requires certain additional disclosures, in particular in relation to the impact of provisional pricing and, where applicable, changes to systems are being made to capture this data. The Group expects to adopt the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at the date of implementation of the standard without adjustment of comparatives. The new standard will only be applied to contracts that remain in force at the transition date.

The new standard is required to be applied for the financial year commencing on 1 July 2018.

(iii) AASB 16 Leases

AASB16 will result in almost all leases being recognised on the Balance Sheet, as the distinction between operating and finance leases is removed. The new standard is required to be applied for the financial year commencing on 1 July 2019.

Under the new standard, a lessee is in essence required to:

a) recognise all right of use assets and lease liabilities, with the exception of short term (under 12 months) and low value leases, on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term. This includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset reflects the lease liability, initial direct costs, any lease payments made before the commencement date of the lease, less any lease incentives and, where applicable, provision for dismantling and restoration.

b) recognise depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.

c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

1 Basis of preparation of half year report (continued)

(iii) AASB 16 Leases (continued)

This standard will have an impact on the Group's earnings and shareholders' funds at transition and in future years. At a high level the impact of the new standard in the initial part of a lease is to reduce net profit as the depreciation and finance expense exceed the rental expense (i.e. the cash payment is lower than the accounting expense). This effect reverses in the latter stages of the lease as the finance costs become lower (i.e. the cash payment is higher than the accounting expense). This will have the additional impact of increasing EBITDA in future years as the rental expense will no longer be included within EBITDA.

It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach.

AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts as leases under current accounting standards to be carried over to AASB 16. Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease.

Under AASB 16 the present value of the Group's operating lease commitments as defined under the new standard, excluding low value leases and short term leases, will be shown as right of use assets and as lease liabilities on the balance sheet.

The Group is considering the available options for transition. To date, work has focused on the identification of the provisions of the standard which will most impact the Group. In calendar 2018, work on these issues and their resolution will continue and work on the detailed review of contracts and financial reporting impacts will commence as well as assessment of likely changes to systems.

2 Segment information

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

(a) Description of segments

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

Logistics

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

Ports & Bulk

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

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

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

Strategic Assets

This division currently comprises the Moorebank Logistics Park Project, AAT, a strategically located property at Minto in Sydney's south west and a non-controlling interest in the Quattro Grain joint venture (39.9%) and TQ Holdings Pty Limited, a 50% joint venture with Japanese petroleum group JXTG Group. ('Tonen').

The Moorebank Logistics Park Project is a 243 hectare parcel of land owned by Qube and the Commonwealth Government which is leased by Qube for 99 years to be developed into an intermodal hub. Qube will manage the development and operations of the overall project. This development will include port-shuttle and interstate rail terminals as well as substantial warehousing development targeting tenants that will also benefit from efficient rail and logistics services. Qube acquired Aurizon's 33% interest in the Moorebank Logistics Park Project in December 2016 giving Qube 100% ownership of the project.

AAT is a multi-user facility provider to the Australian stevedoring industry, operating terminals with facilities for importing and exporting motor vehicles and general cargo. Qube reported its 50% interest in AAT as an associate in the Ports & Bulk division up until it acquired the remaining 50% on 30 November 2016, from which time AAT's results have been reported in the Strategic Assets division.

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

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

Patrick

Patrick is one of two established national operators providing container stevedoring services in the Australian market with operations in the four largest container terminal ports in Australia. Given the material nature of this investment to Qube, this joint venture is being reported as a separate segment. Qube acquired its 50% interest in Patrick on 18 August 2016.

Corporate and Other

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

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

2 Segment information (continued)

(b) Segment information provided to the Board

Half year ended 31 December 2017	Logistics $m	Ports & Bulk $m	Strategic Assets $m	Corporate & Other $m	Patrick* $m	Total $m
Revenue and other income	**365.0**	**399.6**	**32.5**	**0.1**	**-**	**797.2**
Intercompany trading	-	-	22.4	-	-	22.4
Fair value gains	-	-	(5.8)	-	-	(5.8)
Other adjustments	-	-	(1.9)	-	-	(1.9)
Underlying Revenue	**365.0**	**399.6**	**47.2**	**0.1**	**-**	**811.9**

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

	Logistics $m	Ports & Bulk $m	Strategic Assets $m	Corporate & Other $m	Patrick* $m	Total $m
Net profit/(loss) before income tax	**33.3**	**51.4**	**(4.7)**	**(30.0)**	**16.8**	**66.8**
Share of (profit)/loss of equity accounted investments	-	0.2	1.1	-	(4.3)	(3.0)
Finance (income) / cost	(0.2)	0.3	0.1	20.3	(12.5)	8.0
Depreciation and amortisation	15.9	35.4	5.2	0.1	-	56.6
EBITDA	**49.0**	**87.3**	**1.7**	**(9.6)**	**-**	**128.4**
Fair value gains	-	-	(5.8)	-	-	(5.8)
Impairment of investment in associate	-	6.0	-	-	-	6.0
Intercompany trading	-	(22.4)	22.4	-	-	-
Other	1.4	3.8	-	0.5	-	5.7
Underlying EBITDA	**50.4**	**74.7**	**18.3**	**(9.1)**	**-**	**134.3**
Depreciation	(14.4)	(32.7)	(3.3)	(0.1)	-	(50.5)
Underlying EBITA	**36.0**	**42.0**	**15.0**	**(9.2)**	**-**	**83.8**
Amortisation	(1.4)	(2.8)	(1.9)	-	-	(6.1)
Underlying EBIT	**34.6**	**39.2**	**13.1**	**(9.2)**	**-**	**77.7**
Underlying net finance cost	0.2	(0.3)	(0.1)	(17.5)	12.5	(5.2)
Underlying share of profit/(loss) of equity accounted investments	-	(0.2)	(1.1)	-	4.3	3.0
Underlying net profit/(loss) before income tax	**34.8**	**38.7**	**11.9**	**(26.7)**	**16.8**	**75.5**
Underlying income tax expense	(10.4)	(11.7)	(3.9)	8.0	(3.8)	(21.8)
Underlying net profit/(loss) after tax attributable to members	**24.4**	**27.0**	**8.0**	**(18.7)**	**13.0**	**53.7**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**25.4**	**29.0**	**9.3**	**(18.7)**	**16.6**	**61.6**
Underlying diluted earnings per share (cents)						**3.4**
Underlying diluted earnings pre-amortisation per share (cents)						**3.8**
Total segment assets	**893.3**	**1,034.3**	**819.4**	**25.6**	**991.1**	**3,763.7**
Total assets includes:						
Investments in associates and joint ventures	-	36.3	45.0	-	662.3	743.6
Loans and receivables	-	-	-	-	328.8	328.8
Additions to non-current assets (other than financial assets and deferred tax)	110.6	35.2	65.4	0.2	-	211.4
Total segment liabilities	**88.5**	**130.9**	**29.9**	**885.5**	**-**	**1,134.8**

*A reconciliation of the Patrick underlying contribution to the Qube results can be found in Note 5.

**Underlying net profit/(loss) after tax pre-amortisation, includes an adjustment for Qube's proportionate share of Patrick amortisation net of tax.

2 Segment information (continued)

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

Half year ended 31 December 2016	**Logistics $m**	**Ports & Bulk $m**	**Strategic Assets $m**	**Corporate & Other $m**	**Patrick* $m**	**Total $m**
Revenue and other income	**328.8**	**363.7**	**8.9**	**53.6**	**-**	**755.0**
Other adjustments	-	-	2.8	-	-	2.8
Underlying Revenue	**328.8**	**363.7**	**11.7**	**53.6**	**-**	**757.8**

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

Net profit/(loss) before income tax	**35.5**	**36.1**	**(0.2)**	**(0.5)**	**(15.5)**	**55.4**
Share of (profit)/loss of equity accounted investments	-	(2.3)	(0.1)	-	25.1	22.7
Finance (income) / cost	(0.2)	0.7	(0.1)	13.7	(9.6)	4.5
Depreciation and amortisation	17.7	35.8	0.9	0.1	-	54.5
EBITDA	**53.0**	**70.3**	**0.5**	**13.3**	**-**	**137.1**
Stamp duty	-	-	0.3	-	-	0.3
Non-recurring restructure costs	-	0.4	-	-	-	0.4
Other	-	(2.8)	2.8	-	-	-
Underlying EBITDA	**53.0**	**67.9**	**3.6**	**13.3**	**-**	**137.8**
Depreciation	(16.3)	(32.9)	(0.7)	(0.1)	-	(50.0)
Underlying EBITA	**36.7**	**35.0**	**2.9**	**13.2**	**-**	**87.8**
Amortisation	(1.4)	(2.9)	(0.2)	-	-	(4.5)
Underlying EBIT	**35.3**	**32.1**	**2.7**	**13.2**	**-**	**83.3**
Underlying net finance cost	0.2	(0.7)	0.1	(16.0)	9.6	(6.8)
Share of profit/(loss) of equity accounted investments	-	2.3	0.1	-	(25.1)	(22.7)
Underlying adjustments:						
Stamp duty	-	-	-	-	26.0	26.0
One-off transaction costs	-	-	-	-	4.4	4.4
Other non-recurring restructure costs	-	-	-	-	0.8	0.8
Underlying share of profit/(loss) of equity accounted investments	-	2.3	0.1	-	6.1	8.5
Underlying net profit/(loss) before income tax	**35.5**	**33.7**	**2.9**	**(2.8)**	**15.7**	**85.0**
Underlying income tax expense	(10.6)	(9.4)	(0.8)	0.8	(2.9)	(22.9)
Underlying net profit/(loss) after tax attributable to members	**24.9**	**24.3**	**2.1**	**(2.0)**	**12.8**	**62.1**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**25.9**	**26.3**	**2.2**	**(2.0)**	**15.3**	**67.7**
Underlying diluted earnings per share (cents)						4.6***
Underlying diluted earnings pre-amortisation per share (cents)						5.0***
Total segment assets	**746.2**	**1,048.5**	**657.6**	**45.5**	**1,011.7**	**3,509.5**
Total assets includes:						
Investments in associates and joint ventures	-	61.9	54.1	-	667.2	783.2
Loans and receivables	-	-	-	-	344.4	344.4
Additions to non-current assets (other than financial assets and deferred tax)	24.8	21.6	221.4	-	-	267.8
Total segment liabilities	**94.7**	**126.3**	**10.8**	**1,016.5**	**-**	**1,248.3**

*A reconciliation of the Patrick underlying contribution to the Qube results can be found in Note 5.

**Underlying net profit/(loss) after tax pre-amortisation, includes an adjustment for Qube's proportionate share of Patrick amortisation net of tax.
*** The comparative information has been restated to include the dilutive impact of the discount element of the entitlement offer.

Underlying Information is determined as follows:

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

2 Segment information (continued)

(c) Other segment information

Qube operates principally in Australia and no single external customer's revenues amounts to 10% or more of total revenue.

(i) ***Segment assets***
The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

(ii) ***Segment liabilities***
The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. The Group's borrowings (excluding finance leases and debt facilities for ISO) are managed centrally by the treasury function and are not considered to be segment liabilities.

3 Revenue and other income

	Half year ended	
	31 Dec 2017	31 Dec 2016
	$m	$m
Sales revenue		
Transport and logistics services rendered	**777.0**	693.0
Other income		
Rental and property related income	**6.9**	5.2
Fair value gains on investment property	**5.8**	-
Dividend income	**-**	53.3
Procurement management fees	**4.0**	1.5
Other	**3.5**	2.0
Total other income	**20.2**	62.0

4 Expenses

(a) Profit before income tax includes the following specific expenses

Depreciation		
Buildings	**1.4**	1.4
Plant and equipment	**43.6**	44.0
Leasehold improvements	**5.5**	4.6
Total depreciation	**50.5**	50.0
Amortisation		
Customer contracts	**4.2**	4.3
Operating rights	**-**	0.2
Port Concessions	**1.9**	-
Total amortisation	**6.1**	4.5
Total depreciation and amortisation expense	**56.6**	54.5
Finance expenses		
Interest and finance charges paid/payable to other persons	**21.4**	17.5
Fair value (gain)/loss on derivative instruments	**(0.2)**	(2.3)
Total finance costs expense	**21.2**	15.2
Rental expense relating to operating leases		
Property	**37.1**	27.9
Motor vehicles	**1.0**	0.8
Plant and equipment	**17.2**	17.5
Total rental expense relating to operating leases	**55.3**	46.2
Employee benefits expense		
Defined contribution superannuation expenses	**18.7**	16.6
Share based payment expenses	**2.9**	3.2
Other employee benefits expense	**278.1**	254.0
Total employee benefits expense	**299.7**	273.8

(b) Income tax

The effective tax rate for the half year to 31 December 2017 was 32%, compared to 14% for the half year ended 31 December 2016. The higher tax rate in the current period is the result of a prior year tax adjustments and non-deductibility of certain expenses. The prior period benefited from a large franked special dividend received from Qube's shareholding in Asciano and its share of profit of associates, which is already net of tax. Adjusting for these items Qube's effective tax rate would be in line with the company tax rate of 30%.

5 Investments accounted for using the equity method

(a) Movements in carrying amounts

Set out below are the associates and joint ventures of the Group as at 31 December 2017. The entities listed below have share capital/units consisting solely of ordinary shares/units, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All entities are accounted for using the equity method.

Name of entity	Place of business/country of incorporation	% Ownership interest 31 Dec 2017	% Ownership interest 30 June 2017	Carrying amount 31 Dec 2017	Carrying amount 30 June 2017
		%	%	**$m**	$m
Patrick Holdings (Containers) Pty Ltd[1]	Australia	**50**	50	**662.3**	667.5
Other equity accounted investments				**81.3**	90.2
Total equity accounted investments				**743.6**	757.7

1. The Group's 50% investment in Patrick is held through PTH No. 1 Pty Ltd. The carrying amount above excludes shareholder loans provided by Qube to PTH No.1 of $328.8 million ($344.4 million in June 2017) which also forms part of Qube's total investment in Patrick.

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

(b) Summarised financial information of joint ventures

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

	PTH No. 1 Pty Ltd (Patrick) 31 Dec 2017	PTH No. 1 Pty Ltd (Patrick) 30 June 2017
	$m	**$m**
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**131.1**	79.6
Other current assets	**122.7**	158.8
Total current assets	**253.8**	238.4
Non-current assets	**2,883.8**	2,917.5
Current liabilities		
Financial liabilities*	**-**	-
Other current liabilities	**106.4**	107.5
Total current liabilities	**106.4**	107.5
Non-current liabilities		
Financial liabilities*	**991.6**	989.3
Shareholder loans	**709.6**	716.4
Other non-current liabilities	**133.3**	133.5
Total non-current liabilities	**1,834.5**	1,839.2
Net Assets	**1,196.7**	1,209.2

* - (excluding trade payables)

	PTH No. 1 Pty Ltd (Patrick) 31 Dec 2017	PTH No. 1 Pty Ltd (Patrick) 30 June 2017
	$m	**$m**
Reconciliation to carrying amounts		
Opening net assets	**1,209.2**	1,270.8
Profit/(loss) for the period	**8.6**	(51.8)
Return of capital	**(20.8)**	(12.8)
Movement in reserves	**(0.3)**	3.0
Closing net assets	**1,196.7**	1,209.2
Group's share in %	**50%**	50%
Group's share in $	**598.4**	604.6
Goodwill	**63.9**	62.9
Carrying amount	**662.3**	667.5
Summarised statement of comprehensive income		
Revenue	**286.2**	217.6
Interest Income	**2.1**	1.0
Depreciation & amortisation	**(46.6)**	(33.6)
Interest expense	**(44.1)**	(33.3)
Income tax expense	**(0.4)**	(4.7)
Profit/(loss) for the period	**8.6**	(50.2)
Other comprehensive income	**2.3**	-
Total comprehensive income	**10.9**	(50.2)

5 Investments accounted for using the equity method (continued)

(b) Summarised financial information of joint ventures (continued)

A reconciliation of the underlying trading performance of Patrick to Qube's share of underlying net profit after tax per Note 2 is included in the table below for the half year ended 31 December 2017 and the period from the date of acquisition 18 August 2016 to 31 December 2016.

Patrick underlying contribution reconciliation (100%) **For the half year ended 31 December 2017**	**Statutory $m**	**Underlying Adjustments[2] $m**	**Underlying $m**
Revenue	**286.2**	**-**	**286.2**
EBITDA	**97.6**	**3.2**	**100.8**
EBITA	**61.2**	**3.2**	**64.4**
EBIT	**51.0**	**3.2**	**54.2**
Interest expense (net) - External	**(17.1)**	**-**	**(17.1)**
Interest expense - Shareholders	**(24.9)**	**-**	**(24.9)**
Net profit before tax	**9.0**	**3.2**	**12.2**
Tax (@ 30%)	**(0.4)**	**(3.2)**	**(3.6)**
Net profit after tax	**8.6**	**-**	**8.6**
Net profit after tax pre-amortisation	**15.7**	**-**	**15.7**
Qube share (50%) of net profit after tax	**4.3**	**-**	**4.3**
Qube interest income net of tax from Patrick[1]	**8.7**	**-**	**8.7**
Qube net profit after tax from Patrick	**13.0**	**-**	**13.0**
Qube share (50%) of net profit after tax pre-amortisation	**7.9**	**-**	**7.9**
Qube net profit after tax pre-amortisation from Patrick	**16.6**	**-**	**16.6**

Patrick underlying contribution reconciliation (100%) **For the half year ended 31 December 2016**	**Statutory $m**	**Underlying Adjustments[2] $m**	**Underlying $m**
Revenue	217.6	-	217.6
EBITDA	20.4	62.9	83.3
EBITA	(6.1)	62.9	56.8
EBIT	(13.2)	62.9	49.7
Interest expense (net) - External	(12.9)	-	(12.9)
Interest expense - Shareholders	(19.4)	-	(19.4)
Net profit before tax	(45.5)	62.9	17.4
Tax (@ 30%)	(4.7)	(0.5)	(5.2)
Net profit after tax	(50.2)	62.4	12.2
Net profit after tax pre-amortisation	(45.3)	62.4	17.1
Qube share (50%) of net profit after tax	(25.1)	31.2	6.1
Qube interest income net of tax from Patrick[1]	6.7	-	6.7
Qube net profit after tax from Patrick	(18.4)	31.2	12.8
Qube share (50%) of net profit after tax pre-amortisation	(22.6)	31.2	8.6
Qube net profit after tax pre-amortisation from Patrick	(15.9)	31.2	15.3

[1] Qube's share of shareholder interest income is subject to a prima facie 30% tax charge by Qube, whereas Qube's share of profit from Patrick trading results has already been tax effected.

[2] For the half year to 31 December 2017 underlying adjustments included $3.2 million in other non-recurring separation and set-up costs. The prior period underlying adjustments included $52 million in stamp duty and $10.9 million in other transaction related costs.

5 Investments accounted for using the equity method (continued)

(c) Individually immaterial associate and joint venture

In addition to the interests in associates disclosed above, the Group also has interests in an associates and a joint venture which are considered individually immaterial and that are accounted for using the equity method.

	31 Dec 2017 $m	30 June 2017 $m
Aggregate carrying amount of individually immaterial associates and joint venture	81.3	90.2
Aggregate amounts of the Group's share of:		
Profit/(Loss) for the period	(1.3)	2.4
Other comprehensive income	-	-
Total comprehensive income	(1.3)	2.4

(d) Commitments and contingent liabilities of associates and joint ventures

There has been no material change in contingent liabilities of associates as set out in Qube's 2017 Annual Report.

Commitments – joint ventures		
Commitments to provide funding for joint venture's capital commitments if called	-	-
Contingent liabilities – joint ventures		
Share of joint venture's contingent liabilities	-	-

(e) Significant judgement: consolidation of entities with 50% ownership

The directors have concluded that where the Group holds 50% of the voting rights of an entity that this does not in itself confer that the Group has control of that entity. To establish whether control exists, the Group determines whether it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In the case of PTH No. 1 Pt Ltd and Qube's other 50% owned associates the Group does not have the ability to affect returns of these entities without the prior consent of the remaining shareholders.

6 Intangible assets

	Goodwill $m	Operating rights $m	Port Concessions $m	Customer contracts $m	Total $m
Year ended 30 June 2017					
Opening net book amount	592.9	4.7	-	33.1	630.7
Acquisition of a business	53.5	-	113.5	-	167.0
Transfer to investment property	-	(4.5)	-	-	(4.5)
Exchange differences	-	-	-	-	-
Amortisation charge	-	(0.2)	(2.2)	(8.6)	(11.0)
Closing net book amount	646.4	-	111.3	24.5	782.2
At 30 June 2017					
Cost	646.4	7.6	113.5	67.4	834.9
Accumulated amortisation	-	(7.6)	(2.2)	(42.9)	(52.7)
Net book amount	646.4	-	111.3	24.5	782.2
Half year ended 31 December 2017					
Opening net book amount	**646.4**	**-**	**111.3**	**24.5**	**782.2**
Acquisition of a business	**72.3**	**-**	**-**	**-**	**72.3**
Sale of a business	**(8.0)**	**-**	**-**	**-**	**(8.0)**
Exchange differences	**(0.7)**	**-**	**-**	**(0.2)**	**(0.9)**
Amortisation charge	**-**	**-**	**(1.9)**	**(4.2)**	**(6.1)**
Closing net book amount	**710.0**	**-**	**109.4**	**20.1**	**839.5**
At 31 December 2017					
Cost	**710.0**	**-**	**113.5**	**67.2**	**890.7**
Accumulated amortisation	**-**	**-**	**(4.1)**	**(47.1)**	**(51.2)**
Net book amount	**710.0**	**-**	**109.4**	**20.1**	**839.5**

7 Equity securities issued

	31 Dec 2017 Shares	31 Dec 2016 Shares	**31 Dec 2017 $m**	31 Dec 2016 $m
(a) Issues of ordinary shares during the half year				
Opening balance as at 1 July	**1,603,556,502**	1,303,662,847	**2,469.2**	1,801.6
Placement	**-**	143,243,753	**-**	306.5
Dividend reinvestment plan	**674,191**	5,007,534	**1.7**	11.2
Less: Share issue Transaction costs net of tax			**(0.5)**	(6.3)
Closing balance 31 December	**1,604,230,693**	1,451,914,134	**2,470.4**	2,113.0
(b) Movements in treasury shares during the half year				
Opening balance as at 1 July	**(7,566,410)**	(8,500,479)	**(18.7)**	(19.4)
Transfer of treasury shares	**710,131**	1,406,970	**1.6**	3.2
Fair value movement on allocation and vesting of securities			**(0.1)**	-
Closing balance 31 December	**(6,856,279)**	(7,093,509)	**(17.2)**	(16.2)
Total contributed equity	**1,597,374,414**	1,444,820,625	**2,453.2**	2,096.8

Treasury shares

Treasury shares are shares in Qube Holdings Limited held by the Qube Holdings Limited Employee Share Trust for the purpose of allocating shares that vest under the Short-Term Incentive Plan (STI) and the Long-Term Incentive Plan (LTI). Details of the plans were disclosed in the Remuneration Report of the Qube Holdings Limited 2017 Annual Report.

8 Borrowings

As part of Qube's funding initiatives, to diversify its funding sources and extend the tenure of its debt, $990 million of Qube's syndicated and bilateral bank debt facilities were cancelled and replaced at the end of August 2017 with $935 million of 5 year bilateral revolving bank facilities and USD $150 million in US private placement notes with 7, 10 and 12 year maturities drawn in mid-October 2017.

As a result they have been classified as non-current liabilities by the Group.

Market risk

Cash flow and fair value interest rate risk

Qube's primary interest rate risk relates to its variable rate borrowings and cash held on deposit, which expose the Group to cash flow interest rate risk. Qube's operating businesses are leveraged to the economy such that movements in interest rates, which typically reflect changes in economic conditions and outlook, are likely to correlate with movements in Qube's earnings. Therefore the primary objective of Qube's interest rate risk management strategy is to focus on hedging debt used to fund assets that do not have this operating leverage (such as warehouse rental) and have limited to no ability to increase revenues beyond the set annual increases. Qube aims to hedge between 70-100% of this type of debt subject to an overall cap on hedging of 60% of gross debt.

Qube's exposure to interest rate risk is set out in the following table:

	31 Dec 2017 $m	30 June 2017 $m
Bank and other loans *(Excluding finance leases and borrowing costs)*	**889.9**	807.0
Less: Fixed rate loans	**(200.0)**	(200.0)
Cash	**(122.8)**	(190.8)
Net exposure to cash flow interest rate risk	**567.1**	416.2
Interest rate hedging in place	**178.7**	185.7

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Qube's exposure to fair value interest rate risk relates primarily to fixed rate loans and interest rate hedging instruments referred to above. The Group analyses its interest rate exposure on an ongoing basis.

The sensitivities of Qube's monetary assets and liabilities to interest rate risk is summarised below. The analysis is based on the assumption that interest rates changed +/-100 basis points (2016: +/-100 basis points) from the period end rates with all other variables held constant.

	Interest rate risk			
	-100 bps		**+100 bps**	
	Profit	Equity	Profit	Equity
31 Dec 2017	$m	$m	$m	$m
Total increase/(decrease)	**3.3**	**3.3**	**(3.7)**	**(3.7)**
30 June 2017				
Total increase/(decrease)	2.2	2.2	(2.4)	(2.4)

Foreign exchange risk:

Foreign exchange risk arises when anticipated transactions or recognised assets and liabilities are denominated in a currency that is not Qube's functional currency, being Australian dollars (AUD). Qube has currency exposures to the New Zealand dollar (NZD) and US dollar (USD).

8 Borrowings (continued)

Foreign exchange risk (continued):

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

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

The following table provides a summary of the face values of the Group's foreign exchange risk exposures together with the derivatives which have been entered into to manage these exposures.

	31 Dec 2017 USD $m	30 June 2017 USD $m
Borrowings	**150.0**	-
CCIRS	**(150.0)**	-
Total exposure	**-**	**-**

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the half year to 31 December 2017.

Financing arrangements

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

	31 Dec 2017	30 June 2017
Floating rate	**$m**	$m
Expiring within one year	**-**	-
Expiring beyond one year*	**749.2**	699.1
	749.2	699.1

*Undrawn facilities as at 31 December 2017 adjusted for $28.6 million in bank guarantees (June 2017: $28.9 million) drawn under the bilateral facilities.

Subject to the continuance of satisfactory covenant compliance, the bank and other loan facilities may be drawn down at any time and have a weighted average maturity of 5.4 years at 31 December 2017 (June 2017: 2.9 years).

9 Fair value measurement

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,

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

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

The following table presents the Group's financial assets, non-financial assets and financial liabilities measured and recognised at fair value at 31 December 2017 and 30 June 2017 on a recurring basis:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
At 31 December 2017				
Recurring fair value measurements				
Assets				
Investment Properties	**-**	**-**	**473.9**	**473.9**
Total assets	**-**	**-**	**473.9**	**473.9**
Liabilities				
Deferred consideration payable	**-**	**-**	**-**	**-**
Derivatives used for hedging	**-**	**2.0**	**-**	**2.0**
Total liabilities	**-**	**2.0**	**-**	**2.2**
At 30 June 2017				
Recurring fair value measurements				
Assets				
Investment Properties	-	-	394.5	394.5
Total assets	-	-	394.5	394.5
Liabilities				
Deferred consideration payable	-	-	4.5	4.5
Derivatives used for hedging	-	0.9	-	0.9
Total liabilities	-	0.9	4.5	5.4

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period.

(b) Valuation techniques used to determine fair values

Financial instruments

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar financial assets at fair value through profit or loss or available-for-sale.
- the fair value of interest rate hedging instruments is calculated as the present value of the estimated future cash flows based on observable yield curves.
- other techniques, such as discounted cash flow analysis are used to determine fair value for the remaining financial instruments such as contingent consideration.

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

9 Fair value measurement (continued)

Non-financial assets

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

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

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

In relation to properties under development for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date (using the methodology as outlined above) less costs still required to complete the project, including an appropriate adjustment for industry benchmarked profit and development risk.

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

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

Financial instruments

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

There were no transfers between the levels of the fair value hierarchy in the half year to 31 December 2017.

There were also no changes made to any of the valuation techniques applied as of 30 June 2017.

(ii) Valuation inputs and relationships to fair value

Contingent consideration
Actual consideration payable is contingent on certain future conditions including financial results, warranty periods and volume related targets. The minimum amount payable is $Nil, and the maximum is $0.5 million over the relevant period.

(iii) Valuation processes

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

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

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

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

Non-financial assets

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

There were no transfers between the levels of the fair value hierarchy in the half year to 31 December 2017.

9 Fair value measurement (continued)

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

Non-financial assets

(ii) Valuation inputs and relationships to fair value

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

Description	Fair value at 31 Dec 2017 $m	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment property	473.9	Discount rate	**8.4% – 8.8%**	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	**7.5%**	
		Capitalisation rate	**6.0% -7.2%**	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Current vacancy rate	**-**	
		Rental growth rate	**3.2%**	The higher the rental growth rate, the higher the fair value
		Land rate (per sqm)	**$397 - $412**	The land rate is the market land value per sqm of fully serviced and benched developable site area for the property (i.e. freehold land value).

(iii) Valuation processes

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

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

For level 3 assets currently under development such as the Moorebank Logistics Park, an internal valuation is performed by management based on relevant market comparable data including capitalisation and land rate per square metre information provided by Savills.

An internal valuation is performed every six months, whereby Qube's Strategic Asset senior management team utilise information from a combination of asset plans and forecasting tools prepared by external advisors for the Moorebank Logistics Park and independent valuers.

A development feasibility has been prepared for the Moorebank Logistics Park and this includes an estimated valuation upon project completion based on the income capitalisation method. During the development period, fair value is assessed by reference to the value of the property when complete, less deductions for costs required to complete the project and appropriate adjustments for profit and risk. Through this process, a fair value is derived.

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

10 Non-current loans and receivables

	31 Dec 2017	30 June 2017
	$m	$m
Loans and receivables	**328.8**	344.4

During the prior period the Group provided a related party loan to Patrick as part of the acquisition of its 50% interest. The loan is for a fixed term of 10 years, subordinated to all creditors, with an effective interest rate of 7.3% and no conversion rights.

Loans and receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the loans and receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as revenue over the remaining term. The Group considers the impact of discounting immaterial.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The movement in the provision is recognised in the Income Statement. The Group does not believe impairment is required at 31 December 2017 based on the current forecasts provided by Patrick.

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the necessity of whether an impairment provision is required for any given financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities.

11 Business Combinations

On 27 December 2017 Qube acquired 100% of the issued capital of Maritime Container Services Pty Ltd (MCS) for a total purchase consideration of $92.3m.

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

	$m
Purchase consideration	
Purchase price	**92.5**
Completion adjustments	**(0.2)**
Total purchase consideration	**92.3**

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

	Fair value $m
Cash	**4.1**
Trade receivables	**9.1**
Inventories	**0.1**
Other receivables and prepayments	**3.3**
Property, plant and equipment	**15.1**
Trade payables	**(4.5)**
Provision for employee benefits	**(2.6)**
Borrowings	**(4.6)**
Net identified assets acquired	**20.0**
Add: Provisional goodwill	**72.3**
Net assets acquired	**92.3**

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

(i) Acquisition related costs

Acquisition related costs of $0.1 million are included in the consolidated statement of comprehensive income.

(ii) Acquired receivables

The fair value of trade receivables is $9.1 million which is expected to be recoverable.

(iii) Revenue and profit contribution

The acquired business contributed no revenue or net profit after tax to the Group for the period from 27 December 2017 to 31 December 2017. If the acquisition had occurred on 1 July 2017, consolidated revenue and net profit after tax (pre-funding costs) for the half year ended 31 December 2017 would have increased by $33.5 million and $2.2 million respectively.

Purchase consideration – cash outflow

	$m
Outflow of cash to acquire subsidiary	**92.3**
Cash consideration	
Less: Cash balances acquired	**(4.1)**
Net cash consideration in relation to MCS	**88.2**
Other acquisition costs not related to MCS	**4.4**
Total payments for acquisition of subsidiaries	**92.6**

12 Dividends

	Half year ended	
	31 Dec 2017	31 Dec 2016
	$m	$m
(a) Ordinary shares		
Dividends provided for or paid during the half year	**44.5**	39.9
(b) Dividends not recognised at the end of the half year		
In addition to the above dividends, since the end of the half year the Directors have resolved to pay an interim dividend of 2.7 cents per fully paid ordinary share (December 2016 – 2.7 cents), fully franked. The aggregate amount of the proposed dividend expected to be paid on 5 April 2018 out of retained earnings at 31 December 2017, but not recognised as a liability at the end of the half year, is	**43.3**	39.2

13 Contingencies

Contingent liabilities

There has been no material change in contingent liabilities as set out in Qube's 2017 Annual Report.

14 Events occurring after the reporting period

Other than as noted in this report, there have been no events that have occurred subsequent to 31 December 2017 and up to the date of this report that have had a material impact on Qube's financial performance or position.

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half 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.

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

Allan Davies
Chairman

Sydney
21 February 2018

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Qube Holdings Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Qube Holdings Limited (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Qube Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Qube Holdings Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
21 February 2018