

Qube Holdings Limited

ABN 14 149 723 053

Interim report - 31 December 2015

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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 2015 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

Your 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 2015.

Directors

The following persons were directors of Qube during the whole of the half year and up to the date of this report:

Christopher Corrigan	(Non-executive Chairman)
Sam Kaplan	(Non-executive Deputy Chairman)
Maurice James	(Managing Director)
Ross Burney	(Non-executive Director)
Allan Davies	(Non-executive Director)
Peter Dexter	(Non-executive Director)
Robert Dove	(Non-executive Director)
Alan Miles	(Non-executive Director)
Åge Holm	(Alternate to Peter Dexter)
Simon Moore	(Alternate to Robert Dove)

Dividend

The Directors have declared a fully franked interim dividend of 2.7 cents per share payable on 6 April 2016.

Review of operations

Overview

Qube reported a solid result in the six months to 31 December 2015 with underlying earnings (EBITA) increasing to \$93.3 million.

Qube's underlying net profit after tax and before amortisation decreased by approximately 0.7% to \$55.4 million and diluted underlying earnings per share pre-amortisation were 1.5% lower to 5.2 cents.

The diversification of Qube's activities enabled Qube to achieve this satisfactory result with earnings growth in the Logistics division and Strategic Assets division largely offsetting the impact of weakness in the Ports & Bulk division.

The result benefitted from management's continued focus on improving operational efficiencies and reducing costs, which mitigated the impact of a decrease in underlying revenue of around 3.7%. Further cost initiatives are being implemented which will flow through in the second half of FY16 and beyond.

Statutory revenue decreased by 5.2% to approximately \$689.5 million and statutory profit after tax attributable to shareholders pre amortisation decreased by 9.1% to \$52.2 million. Statutory diluted earnings per share decreased by 11.0% to 4.6 cents per share and statutory diluted earnings per share pre amortisation fell by 9.7% to 4.9 cents. The decline in statutory earnings is primarily the result of an \$11.0 million upward revaluation of Qube's majority owned Moorebank property in the prior corresponding period.

Qube continued to improve its safety record with its Lost Time Injury Frequency Rate (LTIFR) decreasing by around 41% to 1.9 Lost Time Injuries (LTIs) per million hours worked.

The interim dividend has been maintained at 2.7 cents per share, consistent with Qube's stated policy of paying out 50-60% of underlying earnings per share. The interim dividend will be fully franked.

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.

In October 2015, Qube, along with its consortium partners, the Canada Pension Plan Investment Board (CPPIB) and Global Infrastructure Partners (GIP) the (Consortium), successfully acquired a 19.99% interest in Asciano Limited (Asciano). CIC Capital Corporation ("CIC Capital") subsequently joined the Consortium in January 2016.

Qube owns around 6.28% of Asciano as part of the Consortium's shareholding with Qube's share costing approximately \$534 million.

As announced on 16 February 2016, the Consortium's proposal to acquire Asciano was recommended by Asciano and a Bid Implementation Deed in relation to that transaction was executed. Under the Consortium's proposal, Qube will acquire 100% of Asciano's leading container terminal business and the 50% of Australian Amalgamated Terminals that it does not presently own (subject to any necessary regulatory approvals). Qube would also be providing bridge funding for the acquisition of Asciano's Bulk & Automotive Port Services (BAPS) until such time as that business is sold.

In light of the uncertain outcome of the transaction, the costs and revenue associated with the proposed acquisition of Asciano have been excluded from Qube's underlying result for half year. The statutory result includes around \$2.8 million in due diligence related costs associated with the transaction and an additional \$2.8 million interest expense associated with the financing of the purchase of Qube's shareholding in Asciano.

Qube's cash conversion was again very strong with operating cashflow pre-tax and interest of \$143.6 million, representing around 104% of underlying EBITDA. This cashflow was used to support continued investment in growth initiatives with Qube investing approximately \$97 million in the period (excluding the acquisition of Asciano shares).

The investment was predominantly on facilities and equipment to support existing and new business. Major items included the Darwin Marine Supply Base, warehouses underpinned by new fertiliser storage, stevedoring and logistics contracts, the investment in TQ Holdings and Quattro Grain, as well as equipment to support new contracts across a range of sectors and activities including forestry, bulk haulage and stevedoring.

As noted above, in the six months to 31 December 2015, Qube spent around \$534 million to acquire Asciano shares as part of the Consortium's proposal to acquire Asciano. This was funded through Qube's existing debt facilities and \$500 million in new debt facilities put in place during the period.

As a result, Qube's net debt at 31 December 2015 (being bank loans and finance lease liabilities less cash on hand) increased to approximately \$1,054 million (June 2015: \$519 million). Qube had available cash and undrawn debt facilities of around \$219.8 million (June 2015: \$263.2 million) providing Qube with sufficient funding capacity to pursue further investment.

Qube's leverage ratio at 31 December 2015 of 42% was slightly above the company's stated target range of 30-40%. The higher leverage is due to the shareholding in Asciano being funded by debt. Post completion of the Asciano transaction, Qube expects its leverage ratio to return within target levels.

Qube remains within its banking covenants with adequate headroom to the covenant thresholds. Qube intends to continue to maintain a prudent capital structure should it be successful with the acquisition of Asciano's container terminals and related businesses.

Logistics Division

The Logistics division maintained its strong market position, securing new business through its reliable, value-added solutions. Earnings and margins grew despite lower revenue compared to the prior corresponding period as a result of lower volumes from its existing customer base.

The Logistics division reported underlying revenue of \$313.5 million, a small decrease of 1.6% on the prior corresponding period. However, as a result of effective cost management, underlying earnings (EBITA) increased by 4.7% to \$33.7 million and EBITA margins improved from 10% to 11%.

Existing customer contracts are being retained and renewed and organic growth in the customer base is being achieved. However, the average volume per customer is lower in comparison to last year reflecting the difficult economic environment and continued drought conditions in part of the country.

Management has successfully offset the lower revenue through operational cost improvements and modifications made in some areas of the business. Additionally, the cost synergies from the CRT acquisition and other projects are ahead of expectations. This included the completion of the warehouse construction at Vic Dock and related relocation from Somerton that occurred in early July, as well as the completion of the new empty container park at Fremantle.

Ports & Bulk Division

Qube secured new contracts in the period across its business and retained its strong market position in key areas including automotive stevedoring, marshalling and stevedoring of forestry products and bulk haulage. However, there was further weakness in commodity and oil and gas prices which resulted in reduced activity and volumes for some of Qube's customers and limited the number of new projects in the market.

As a result of these challenging conditions, and due to the full period impact of the four significant contract completions and amendments that occurred towards the end of FY 15, the Ports & Bulk division's revenue and earnings were lower than the prior corresponding period which is consistent with Qube's previous guidance.

Underlying revenue and EBITA fell to \$338.8 million and \$33.8 million, lower by around 11.4% and 29.3% respectively, compared to the prior corresponding period.

As a result of Qube's expectations for continued market weakness, management is implementing additional cost reduction initiatives that are expected to further reduce the divisional cost base with initial savings expected to commence in the final quarter of FY16.

Strategic Assets

A highlight during the period was the progress made in relation to the development of Qube's strategic assets.

Qube, as manager of the Moorebank Industrial Property Trust (MIPT) (owned by Qube 67%, Aurizon 33%) successfully concluded the negotiations with the tenant at MIPT's Moorebank property for an early lease termination and vacation of the site which occurred in December 2015. In addition to MIPT receiving a market lease surrender payment from the tenant, the vacation of the site enables Qube to start leasing the substantial existing warehousing on the site to tenants that suit the broader logistics model for the Moorebank precinct development. The level of inquiries has been strong and as a result, Qube is progressing with development approvals to enhance the quality and attractiveness of the existing warehousing with the expectation that it can finalise initial leases by the end of FY16.

During the period, Qube also finalised the appointment of contractors to undertake certain development works on behalf of the Commonwealth Government established Moorebank Intermodal Company (MIC). These works form part of MIC's contribution towards the development of the Moorebank precinct into a major logistics hub. Qube is managing these works on behalf of MIC and will earn commercial management fees and potentially outperformance fees for this activity. Design works are well underway, and construction is expected to commence in the last quarter of FY16.

Financial close of the Moorebank project is expected to occur around June 2016 with both parties continuing to make sound progress towards satisfying the required conditions precedent to reaching financial close. MIC currently has its planning application before the NSW Planning Assessment Commission.

The division is continuing to earn lease revenue from its investment property at Minto.

The construction of the Quattro Grain facility (Qube 37.5%) was completed and storage of grain has commenced. A ship loader is expected to be delivered and the facility fully operational by March 2016 with revenue and earnings ramping up from that time.

Planning is progressing for the construction of the fuel terminal at Port Kembla by TQ Holdings (TQ), the 50/50 joint venture with TonenGeneral Sekiyu K.K. (Tonen) from Japan. TQ undertook a small acquisition during the period to expand its fuel distribution capacity as a complementary operation to the terminal ownership. TQ generated a small loss during the period reflecting stamp duty and other transaction costs associated with the investment and related acquisition.

Underlying revenue and EBITA increased by 147.4% and 179.6% respectively to \$37.1 million and \$31.6 million compared to the prior corresponding period while the loss from Quattro Grain and TQ increased from \$0.1 million to \$0.6 million, reflecting the fact that these assets are still in the development phase.

Summary and Outlook

The diversified nature of Qube's operations enabled the company to generate solid earnings and good cash flow despite challenges in parts of the business as a result of the downturn in the resources and oil and gas sector. All parts of the business maintained their strong competitive position and managed to secure new business without losing any significant customers. A renewed focus on costs, which is continuing in the second half of FY16, helped margins and maintain Qube's competitive position.

Qube expects a continuation of recent conditions with strong volumes of vehicle imports and log exports benefitting the stevedoring activities. However near term demand for resources and oil and gas related activity is expected to remain subdued. Container volumes are expected to continue to grow at around GDP.

It was pleasing that the higher contribution from the Strategic Assets division was able to largely offset the lower contribution from the Ports & Bulk division. Qube's long term focus of owning and developing the assets within the Strategic Assets division is expected to be rewarded as these assets become operational and make an increasing contribution to earnings from FY17 onwards as new income streams commence from the Moorebank project, Quattro ramps up, and TQ Holdings starts to contribute.

Qube continues to develop innovative solutions that lower customers' costs while delivering an efficient, reliable logistics solution. Despite the challenging environment, Qube is continuing to invest in its facilities and equipment to drive scale and improve margins. Qube's strategic locations and experienced management ensure that it remains very well placed to benefit from any improvement in conditions.

Qube's ability to deliver underlying earnings growth in FY16 continues to be dependent on a range of factors including Qube's ability to secure new contracts, volumes from its existing customer base, and earnings contributions from Moorebank, Quattro and TQ.

Management remains focussed on delivering the Moorebank project to drive a new level of efficiency across the logistics supply chain for import and export freight in New South Wales. Initial construction for the project is expected to commence during late FY16.

The successful conclusion of an Asciano transaction is also a key focus as this would be a unique opportunity to acquire a high quality and highly complementary business.

Matters subsequent to the end of the period

On 28 January 2016, the Consortium announced that it had submitted a binding proposal for the acquisition of all of the issued share capital of Asciano not already owned by the Consortium.

On 15 February 2016, the Asciano Board advised the Consortium that Brookfield had not exercised its matching rights. Therefore, on 16 February 2016, Asciano and the Consortium entered into the Bid Implementation Deed and related sale agreements for the Asciano container terminals and BAPs businesses.

Under the Bid Implementation Deed, the Consortium will be obliged to acquire Asciano shares and Qube will be obliged to acquire the Asciano container terminals business and fund the BAPS acquisition once, among other things, requisite regulatory approvals and Asciano shareholder approvals have been received and the Consortium has a relevant interest in at least 50.1% of issued Asciano shares.

On 23 February 2016, Qube announced that it is in discussions with Brookfield and its partners to submit a new proposal to acquire Asciano (New Proposal). The discussions remain preliminary, indicative and non-binding at this stage, but the indicative terms contemplate Qube and Brookfield and members of the Brookfield consortium (or entities controlled by them) establishing a new joint venture entity to jointly own 100% of Asciano's container terminal business. Qube will also have an option for it or its nominee to acquire the 50% of Australian Amalgamated Terminals (AAT) that it does not presently own.

The New Proposal is subject to agreement of binding documentation with Asciano. Until and unless such documentation is agreed, the existing recommended proposal from the Qube Consortium remains on foot.

Further information on this transaction is contained in Qube's ASX releases of 28 January 2016, 8 February 2016 and 23 February 2016.

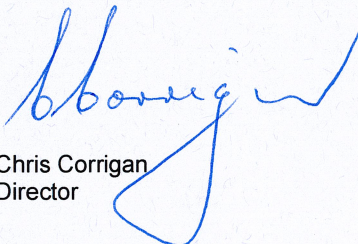
Auditor's independence declaration

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 Class Order 98/100, 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 Class Order.

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



Chris Corrigan
Director

Sydney
23 February 2016



Auditor's Independence Declaration

As lead auditor for the review of Qube Holdings Limited for the half-year ended 31 December 2015, 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.


N R McConnell
Partner
PricewaterhouseCoopers

Sydney
23 February 2016

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Qube Holdings Limited
Consolidated statement of comprehensive income
For the half year ended 31 December 2015

	Notes	31 Dec 2015 \$m	31 Dec 2014 \$m
Revenue from continuing operations			
Revenue from sales and services	3	649.7	697.2
Other income	3	39.8	29.8
Total income		689.5	727.0
Direct transport and logistics costs		177.4	182.6
Repairs and maintenance costs		35.0	45.7
Employee benefits expense	4	251.7	251.2
Fuel, oil and electricity costs		43.6	59.1
Occupancy and property costs		32.3	32.4
Depreciation and amortisation expense	4	49.9	48.7
Professional fees		8.2	7.7
Other expenses		5.5	9.7
Total expenses		603.6	637.1
Finance income		1.0	0.9
Finance costs	4	(14.9)	(14.1)
Net finance costs		(13.9)	(13.2)
Share of net profit of associates accounted for using the equity method		5.2	5.8
Profit before income tax		77.2	82.5
Income tax expense		(21.5)	(22.2)
Profit for the half year		55.7	60.3
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		3.2	-
Change in value of available-for-sale financial assets		2.0	-
Income tax relating to these items		(0.6)	-
Items that will not be reclassified to profit or loss		-	-
Total comprehensive income for the half year, net of tax		60.3	60.3
Profit for the half year attributable to:			
Owners of Qube Holdings Limited		49.0	54.7
Non-controlling interests		6.7	5.6
		55.7	60.3
Total comprehensive income for the half year is attributable to:			
Owners of Qube Holdings Limited		53.6	54.7
Non-controlling interests		6.7	5.6
		60.3	60.3
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		4.7	5.2
Diluted earnings per share		4.6	5.2

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

Qube Holdings Limited
Consolidated balance sheet
As at 31 December 2015

	Notes	31 Dec 2015 \$m	30 June 2015 \$m
ASSETS			
Current assets			
Cash and cash equivalents		109.5	88.2
Trade and other receivables		207.3	221.1
Inventories		2.0	2.2
Available-for-sale financial assets	9,12	535.8	-
Total current assets		<u>854.6</u>	<u>311.5</u>
Non-current assets			
Trade and other receivables		0.2	0.1
Financial assets at fair value through profit or loss		1.0	1.0
Investments accounted for using the equity method	5	238.9	216.9
Property, plant and equipment		814.2	789.3
Investment properties		344.4	342.0
Intangible assets	6	632.0	635.3
Deferred tax assets		3.2	5.6
Other assets		0.7	0.7
Total non-current assets		<u>2,034.6</u>	<u>1,990.9</u>
Total assets		<u>2,889.2</u>	<u>2,302.4</u>
LIABILITIES			
Current liabilities			
Trade and other payables		110.6	114.8
Borrowings		512.4	12.3
Derivative financial instruments		0.3	0.8
Current tax payable		4.2	6.2
Provisions		71.3	67.2
Deferred revenue		-	0.5
Total current liabilities		<u>698.8</u>	<u>201.8</u>
Non-current liabilities			
Trade and other payables		4.1	5.5
Borrowings		646.1	589.7
Derivative financial instruments		1.8	2.3
Provisions		12.3	14.8
Total non-current liabilities		<u>664.3</u>	<u>612.3</u>
Total liabilities		<u>1,363.1</u>	<u>814.1</u>
Net assets		<u>1,526.1</u>	<u>1,488.3</u>
EQUITY			
Contributed equity	7	1,293.5	1,284.7
Reserves		(21.0)	(28.7)
Retained earnings		161.5	141.5
Capital and reserves attributable to the owners of Qube		<u>1,434.0</u>	<u>1,397.5</u>
Non-controlling interests		92.1	90.8
Total equity		<u>1,526.1</u>	<u>1,488.3</u>

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

Qube Holdings Limited
Consolidated statement of changes in equity
For the half year ended 31 December 2015

	Notes	Attributable to owners			Non-con- trolling interests \$m	Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m		
Balance at 1 July 2014		1,281.3	(30.9)	111.3	83.6	1,445.3
Profit for the half year		-	-	54.7	5.6	60.3
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the half year		-	-	54.7	5.6	60.3
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	7	8.1	-	-	-	8.1
Acquisition of treasury shares	7	(11.2)	-	-	-	(11.2)
Dividends provided for or paid	10	-	-	(27.8)	-	(27.8)
Transactions with non-controlling interests		-	-	-	(1.9)	(1.9)
Employee share schemes		-	2.5	-	-	2.5
		(3.1)	2.5	(27.8)	(1.9)	(30.3)
Balance at 31 December 2014		1,278.2	(28.4)	138.2	87.3	1,475.3
Balance at 1 July 2015		1,284.7	(28.7)	141.5	90.8	1,488.3
Profit for the half year		-	-	49.0	6.7	55.7
Other comprehensive income		-	4.6	-	-	4.6
Total comprehensive income for the half year		-	4.6	49.0	6.7	60.3
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	7	7.7	-	-	1.0	8.7
Transfer of treasury shares	7	1.1	-	-	-	1.1
Dividends provided for or paid	10	-	-	(29.0)	-	(29.0)
Transactions with non-controlling interests		-	-	-	(6.4)	(6.4)
Employee share schemes		-	3.1	-	-	3.1
		8.8	3.1	(29.0)	(5.4)	(22.5)
Balance at 31 December 2015		1,293.5	(21.0)	161.5	92.1	1,526.1

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

Qube Holdings Limited
Consolidated statement of cash flows
For the half year ended 31 December 2015

	31 Dec 2015 \$m	31 Dec 2014 \$m
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	785.5	785.3
Payments to suppliers and employees (inclusive of goods and services tax)	(641.9)	(657.4)
	143.6	127.9
Dividends received	4.8	4.5
Interest received	1.0	0.9
Interest paid	(13.9)	(17.8)
Income taxes paid	(19.1)	(34.1)
Net cash inflow from operating activities	116.4	81.4
Cash flows from investing activities		
Payments for acquisition of subsidiaries, net of cash acquired	-	(56.3)
Payments for property, plant and equipment	(68.8)	(111.8)
Payments for investment property development expenditure	(4.2)	(1.3)
Payments for available-for-sale financial assets	(533.7)	-
Payments for investment in associate	(25.1)	(10.5)
Loan repayments received from associates and related parties	3.7	-
Proceeds from sale of property, plant and equipment	1.1	3.6
Net cash outflow from investing activities	(627.0)	(176.3)
Cash flows from financing activities		
Proceeds from the issue of units to non-controlling interests	1.0	-
Payments for treasury shares	-	(11.2)
Proceeds from borrowings	625.0	584.0
Repayment of borrowings	(63.4)	(477.0)
Finance lease payments	(6.7)	(9.0)
Dividends paid to shareholders	(21.3)	(19.7)
Distributions paid to non-controlling interests in subsidiaries	(3.1)	(2.7)
Net cash inflow from financing activities	531.5	64.4
Net increase / (decrease) in cash and cash equivalents	20.9	(30.5)
Cash and cash equivalents at the beginning of the half year	88.2	111.7
Effects of exchange rate changes on cash and cash equivalents	0.4	-
Cash and cash equivalents at the end of the half year	109.5	81.2

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 domiciled in Australia. The consolidated interim financial report of the Company for the half year ended 31 December 2015 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 23 February 2016.

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 2015 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 ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, 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 2015 and the corresponding interim reporting period except as stated below:

(a) Investments and other financial assets (available-for-sale)

(i) Classification

The Group classifies its financial assets in the following categories:

- loans and receivables
- financial assets at fair value through profit or loss, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(ii) Recognition and derecognition

The regular way purchases and sales of financial assets are recognised is on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains or losses from investment securities.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised for other monetary and non-monetary securities classified as available-for-sale in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of revenue from continuing operations.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

1 Basis of preparation of half year report (continued)

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2016 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*.

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018.

Following the changes approved by the AASB in December 2014, the Group no longer expects any material impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities.

When adopted, the standard will affect in particular the Group's disclosure of its own credit risk adjustments for any financial liabilities that are designed at fair value through profit and loss. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule, it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The Group has not yet assessed how its own arrangements and impairment provisions would be affected by the new rules, and it has not yet decided whether it should adopt AASB 9 before its mandatory date.

(ii) AASB 15 *Revenue from contracts with customers*, which replaces AASB 18 which covers contracts for goods and services and AASB 111 which covers construction contracts, addresses the recognition of revenue. The standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The new standard 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 standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2018), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make a more detailed assessment of the impact over the next twelve months. The Group does not expect to adopt the new standard before 1 July 2018.

(iii) AASB 16 *Leases*

In January 2016 the International Accounting Standards Board (IASB) issued IFRS 16, 'Leases', which amends the accounting for leases. The standard is applicable for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. The standard requires lessees to bring all leases on Balance Sheet as the distinction between operating and finance leases has been eliminated. Lessor accounting remains largely unchanged.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make a more detailed assessment of the impact over the next 12 months. The Group does not expect to adopt the new standard before 1 July 2019.

2 Segment information

(a) Description of segments

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

Logistics

The primary focus of the Logistics division is on providing a broad range of services relating to the import and export of containerised cargo. The services currently provided include the physical and documentary processes and tasks of the import/export supply chain such as road and rail transport of containers to and from ports, operation of full and empty container parks, customs and quarantine services, warehousing, intermodal terminals, 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 and bulk logistics. It is focused on the provision of a range of logistics services relating to the import and export of mainly non-containerised freight, with a major focus on automotive, bulk and break bulk products.

Qube's port logistics activities are focused on the provision of an integrated logistics solution for the automotive industry, covering a range of activities including facilities management, stevedoring, processing and delivery. This division also provides stevedoring 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, ship loading facilities and stevedoring. Qube handles a diverse range of commodities including iron ore, manganese, nickel concentrate and mineral sands. The main operations are located in Western Australia and Queensland.

Strategic Assets

This division currently comprises Qube's interest in the Moorebank Industrial Property Trust (MIPT) (66.7%), which owns an 83 hectare parcel of land at Moorebank; a 100% interest in Minto Properties, a company with a strategically located property at Minto in Sydney's south west; Qube's 37.5% interest in the Quattro Grain joint venture and a 50% shareholding in TQ Holdings Pty Limited, a joint venture with Japanese petroleum group TonenGeneral Sekiyu K.K. ('Tonen') to develop fuel storage facilities in Australia.

MIPT's Moorebank property will be developed as part of a broader precinct development involving both MIPT's land and a larger parcel of land owned by the Commonwealth Government. 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.

The Quattro Grain joint venture has now completed construction of a grain storage and handling facility at Port Kembla in New South Wales and expects to be fully operational in the last quarter of FY 2016.

TQ Holdings first project is the construction of a fuel storage facility to be developed at Port Kembla on land to be leased from NSW Ports. Subject to final approval, the storage facility has a potential capacity of 230 million litres with commissioning expected in mid to late 2017.

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, including Qube's participation in the Consortium's proposal to acquire 100% of Asciano, are also reported within this segment.

2 Segment information (continued)

(b) Segment information provided to the Board

Qube's Board assesses the performance of the operating segments on a measure of underlying revenue, EBITDA and EBITA which is allocated into segments as follows:

Half year ended 31 December 2015	Logistics \$m	Ports & Bulk \$m	Strategic Assets \$m	Corporate & Other \$m	Total \$m
Revenue and other income	313.5	338.8	37.1	0.1	689.5
Other adjustments	-	-	-	-	-
Underlying Revenue	313.5	338.8	37.1	0.1	689.5
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	32.5	35.9	30.9	(22.1)	77.2
Share of (profit)/loss of associates	-	(5.8)	0.6	-	(5.2)
Net finance cost	(0.2)	0.8	(0.1)	13.4	13.9
Depreciation and amortisation	16.9	32.7	0.2	0.1	49.9
EBITDA	49.2	63.6	31.6	(8.6)	135.8
Asciano Ports business acquisition related advisor costs	-	-	-	2.8	2.8
Moorebank STI (FY15 deferred component)	-	-	-	0.1	0.1
Underlying EBITDA	49.2	63.6	31.6	(5.7)	138.7
Depreciation	(15.5)	(29.8)	-	(0.1)	(45.4)
Underlying EBITA	33.7	33.8	31.6	(5.8)	93.3
Amortisation	(1.4)	(2.9)	(0.2)	-	(4.5)
Underlying EBIT	32.3	30.9	31.4	(5.8)	88.8
Net finance cost excluding derivatives	0.2	(0.8)	0.1	(14.3)	(14.8)
Asciano Ports business acquisition related finance costs	-	-	-	2.8	2.8
Underlying net finance cost	0.2	(0.8)	0.1	(11.5)	(12.0)
Underlying share of profit/(loss) of associates	-	5.8	(0.6)	-	5.2
Underlying net profit/(loss) before income tax	32.5	35.9	30.9	(17.3)	82.0
Underlying income tax expense	(9.7)	(9.1)	(9.5)	5.2	(23.1)
Underlying net profit/(loss) for the half year	22.8	26.8	21.4	(12.1)	58.9
Underlying non-controlling interests	-	-	(6.7)	-	(6.7)
Underlying net profit/(loss) after tax attributable to members	22.8	26.8	14.7	(12.1)	52.2
Underlying diluted earnings per share (cents per share)					4.9c
Underlying diluted earnings per share pre- amortisation (cents per share)					5.2c
Total segment assets	740.7	1,160.0	428.8	559.7	2,889.2
Total assets includes:					
Investments in associates	-	192.0	46.9	-	238.9
Available-for-sale financial assets	-	-	-	535.8	535.8
Additions to non-current assets (other than financial assets and deferred tax)	12.8	54.5	29.3	1.5	98.1
NCI Share of total assets	-	-	100.5	-	100.5
Total segment liabilities	77.2	142.9	12.8	1,130.2	1,363.1

2 Segment information (continued)

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

Half year ended 31 December 2014	Logistics \$m	Ports & Bulk \$m	Strategic Assets \$m	Corporate & Other \$m	Total \$m
Revenue and other income	318.5	382.4	26.0	0.1	727.0
Fair value adjustments	-	-	(11.0)	-	(11.0)
Other adjustments	-	-	-	(0.1)	(0.1)
Underlying revenue	318.5	382.4	15.0	-	715.9

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

Net profit/(loss) before income tax	29.0	50.3	18.8	(15.6)	82.5
Share of (profit)/loss of associates	-	(5.9)	0.1	-	(5.8)
Net finance cost	0.1	0.8	3.2	9.1	13.2
Depreciation and amortisation	14.9	33.6	0.2	-	48.7
EBITDA	44.0	78.8	22.3	(6.5)	138.6
Cost of legacy incentive schemes	1.6	0.6	-	-	2.2
Fair value gains	-	-	(11.0)	-	(11.0)
Other adjustments	0.1	(0.3)	-	0.1	(0.1)
Underlying EBITDA	45.7	79.1	11.3	(6.4)	129.7
Depreciation	(13.5)	(31.3)	-	-	(44.8)
Underlying EBITA	32.2	47.8	11.3	(6.4)	84.9
Amortisation	(1.4)	(2.3)	(0.2)	-	(3.9)
Underlying EBIT	30.8	45.5	11.1	(6.4)	81.0
Underlying net finance cost	(0.1)	(0.8)	(3.2)	(7.8)	(11.9)
Syndicated debt facilities establishment fees written off	-	-	0.3	1.0	1.3
Underlying share of profit/(loss) of associates	-	5.9	(0.1)	-	5.8
Underlying net profit/(loss) before income tax	30.7	50.6	8.1	(13.2)	76.2
Underlying income tax expense	(9.2)	(13.4)	(2.5)	4.0	(21.1)
Underlying net profit/(loss) for the half year	21.5	37.2	5.6	(9.2)	55.1
Underlying non-controlling interests	-	-	(2.0)	-	(2.0)
Underlying net profit/(loss) after tax attributable to members	21.5	37.2	3.6	(9.2)	53.1

Underlying diluted earnings per share (cents per share) 5.1c

Underlying diluted earnings per share pre- amortisation (cents per share) 5.3c

Total segment assets	748.8	1,095.9	349.3	5.6	2,199.6
Total assets includes:					
Investments in associates	-	193.8	12.4	-	206.2
Additions to non-current assets (other than financial assets and deferred tax)	66.6	98.0	11.8	-	176.4
NCI Share of total assets	-	-	88.2	-	88.2
Total segment liabilities	114.4	140.3	5.9	463.6	724.2

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 such as fair value adjustments on investment properties, cost of legacy incentive schemes and impairments to reflect core earnings. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates.

(c) Other segment information

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

(i) Segment assets

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

(ii) Segment liabilities

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

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

Half year ended	
31 Dec 2015	31 Dec 2014
\$m	\$m

3 Revenue and other income

Sales revenue

Transport and logistics services rendered

649.7	697.2
649.7	697.2

Other income

Rental and property related income

Net lease surrender payment

Fair value gain on investment property

Other

Total other income

16.1	16.8
23.2	-
-	11.0
0.5	2.0
39.8	29.8

4 Expenses

Profit before income tax includes the following specific expenses:

Depreciation

Buildings

Plant and equipment

Leasehold improvements

Total depreciation

1.2	0.5
40.8	32.9
3.4	11.4
45.4	44.8

Amortisation

Customer contracts

Operating rights

Total amortisation

Total depreciation and amortisation expense

4.3	3.7
0.2	0.2
4.5	3.9
49.9	48.7

Finance expenses

Interest and finance charges paid/payable to other persons

Syndicated debt facilities establishment fees written off

Total interest and finance charges expense

Fair value (loss)/gain on derivative instruments

Total finance costs expense

15.9	11.5
-	1.3
15.9	12.8
(1.0)	1.3
14.9	14.1

Rental expense relating to operating leases

Property

Motor vehicles

Plant and equipment

Total rental expense relating to operating leases

24.6	24.9
1.2	1.5
16.7	18.6
42.5	45.0

Employee benefits expense

Defined contribution superannuation expenses

Share based payment expenses

Other employee benefits expense

Total employee benefits expense

14.8	14.7
2.9	1.9
234.0	234.6
251.7	251.2

5 Investments accounted for using the equity method

(a) Movements in carrying amounts

Set out below are the associates and joint venture of the Group as at 31 December 2015. 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		Carrying amount	
		31 Dec 2015 %	30 June 2015 %	31 Dec 2015 \$m	30 June 2015 \$m
Australian Amalgamated Terminals Pty Ltd	Australia	50	50	112.3	115.5
Northern Stevedoring Services Pty Ltd	Australia	50	50	47.0	45.7
Prixcar Services Pty Ltd ¹	Australia	25	25	32.7	33.3
Quattro Grain Trust ²	Australia	37.5	37.5	28.7	22.4
TQ Holdings Australia Pty Ltd ²	Australia	50	-	18.2	-
				238.9	216.9

¹ Prixcar investment held through Qube's 50% interest in "K" Line Auto Logistics Pty Ltd

² The contribution from the Group's investment in the Quattro Grain Trust and TQ Holdings Australia Pty Ltd are considered individually immaterial and are discussed in part (c) below.

(b) Summarised financial information of associates

The tables below provide summarised statutory financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates 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:

	Australian Amalgamated Terminals Pty Ltd		Northern Stevedoring Services Pty Ltd		K Line Auto Logistics Pty Ltd (Prixcar)	
	31 Dec 2015 \$m	30 June 2015 \$m	31 Dec 2015 \$m	30 June 2015 \$m	31 Dec 2015 \$m	30 June 2015 \$m
Summarised balance sheet						
Current assets	23.8	28.9	17.9	17.8	0.1	0.1
Non-current assets	83.2	87.2	48.7	47.8	65.3	66.5
Current liabilities	(6.9)	(9.5)	(22.6)	(22.6)	(0.1)	-
Non-current liabilities	(98.9)	(105.9)	(11.8)	(13.4)	-	-
Net assets	1.2	0.7	32.2	29.6	65.3	66.6

Reconciliation to carrying amounts

(Dec 2015 half year and June 2015 full year)

Opening net assets	0.7	2.3	29.5	24.9	66.6	65.4
Profit/(loss) for the period	9.0	15.2	2.7	4.6	(0.2)	1.2
Dividends paid	(8.5)	(16.8)	-	-	(1.1)	-
Closing net assets	1.2	0.7	32.2	29.5	65.3	66.6
Group's share in %	50%	50%	50%	50%	50%	50%
Group's share in \$	0.6	0.4	16.1	14.8	32.7	33.3
Loan to associates	49.0	52.5	-	-	-	-
Goodwill	62.7	62.7	30.9	30.9	-	-
Carrying amount	112.3	115.6	47.0	45.7	32.7	33.3

5 Investments accounted for using the equity method (continued)

(b) Summarised financial information of associates (continued)

	Australian Amalgamated Terminals Pty Ltd		Northern Stevedoring Services Pty Ltd		K Line Auto Logistics Pty Ltd (Prixcar)	
	31 Dec 2015 \$m	31 Dec 2014 \$m	31 Dec 2015 \$m	31 Dec 2014 \$m	31 Dec 2015 \$m	31 Dec 2014 \$m
Summarised statement of comprehensive income						
Revenue	41.6	42.5	31.3	40.8	0.1	0.1
Profit/(loss) for the period	9.0	7.7	2.7	3.9	(0.2)	0.2
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	9.0	7.7	2.7	3.9	(0.2)	0.2
Dividends received from associates	4.3	4.5	-	-	0.5	-

(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 2015 \$m	30 June 2015 \$m
Aggregate carrying amount of individually immaterial associates and joint venture	46.9	22.4
Aggregate amounts of the Group's share of:		
Loss for the period	(0.6)	(0.1)
Other comprehensive income	-	-
Total comprehensive income	(0.6)	(0.1)

(d) Contingent liabilities of associates

There has been no material change in contingent liabilities as set out in Qube's 2015 Annual Report.

(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 Australian Amalgamated Terminals Pty Ltd, Northern Stevedoring Services Pty Ltd and 'K' Line Auto Logistics Pty Ltd 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	Customer and other contract intangibles \$m	Total \$m
Year ended 30 June 2015				
Opening net book amount	565.4	5.5	35.8	606.7
Finalisation of acquisition accounting	0.3	-	-	0.3
Acquisition of business	24.4	-	13.9	38.3
Exchange differences	(1.1)	-	(0.5)	(1.6)
Amortisation charge	-	(0.4)	(8.0)	(8.4)
Closing net book amount	589.0	5.1	41.2	635.3
At 30 June 2015				
Cost	589.0	7.6	67.3	663.9
Accumulated amortisation	-	(2.5)	(26.1)	(28.6)
Net book amount	589.0	5.1	41.2	635.3
Half year ended 31 December 2015				
Opening net book amount	589.0	5.1	41.2	635.3
Exchange differences	0.8	-	0.4	1.2
Amortisation charge	-	(0.2)	(4.3)	(4.5)
Closing net book amount	589.8	4.9	37.3	632.0
At 31 December 2015				
Cost	589.8	7.6	67.2	664.6
Accumulated amortisation	-	(2.7)	(29.9)	(32.6)
Net book amount	589.8	4.9	37.3	632.0

7 Equity securities issued

	31 Dec 2015 Shares	31 Dec 2014 Shares	31 Dec 2015 \$m	31 Dec 2014 \$m
(a) Issues of ordinary shares during the half year				
Opening balance as at 1 July	1,056,700,287	1,051,172,929	1,302.0	1,287.4
Dividend reinvestment plan issues	3,875,480	3,255,147	7.7	8.1
Closing balance 31 December	1,060,575,767	1,054,428,076	1,309.7	1,295.5
(b) Movements in treasury shares during the half year				
Opening balance as at 1 July	(7,367,178)	(2,961,418)	(17.3)	(6.1)
Treasury shares purchased	-	(4,405,760)	-	(11.2)
Transfer of treasury shares	440,862	-	1.1	-
Closing balance 31 December	(6,926,316)	(7,367,178)	(16.2)	(17.3)
Total contributed equity	1,053,649,451	1,047,060,898	1,293.5	1,278.2

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 on pages 46 to 50 of the Qube Holdings Limited 2015 Annual Report.

8 Borrowings

During the period the Group entered into bridging facilities totalling \$500 million to assist in funding Qube's share of the Consortium's 19.99% interest in Asciano Limited.

The facilities are floating rate, non-amortising Australian-dollar denominated loans which have a 12 month term and were fully drawn at 31 December 2015. As a result these loans have been classified as 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 businesses are leveraged to the economy such that movements in interest rates, which typically reflect changes in economic conditions and outlook, are likely to correlate with movements in Qube's earnings. The primary objectives of Qube's interest rate risk management strategy therefore are to protect against very large unexpected adverse movements in interest rates which Qube cannot fully offset through its earnings via the use of floating-to-fixed interest rate caps, collars and swaps.

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

	31 Dec 2015	30 June 2015
	\$m	\$m
Bank loans	1,143.9	581.1
Cash	(109.5)	(88.2)
Total exposure to cash flow interest rate risk	1,034.4	492.9

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

The sensitivities of Qube's monetary assets and liabilities to interest rate risk is summarised below. The analysis is based on the assumption that interest rates changed +/-100 basis points (2015 – +/-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 2015	\$m	\$m	\$m	\$m
Total increase/(decrease)	5.7	5.7	(6.2)	(6.2)
 30 June 2015				
Total increase/(decrease)	1.9	1.9	(2.4)	(2.4)

Foreign exchange risk:

As the facilities are AUD denominated they did not have any impact on the entity's exposure to foreign exchange risk.

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the half year to 31 December 2015.

8 Borrowings (continued)

Financing arrangements

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

	31 Dec 2015 \$m	30 June 2015 \$m
Floating rate		
Expiring within one year	-	-
Expiring beyond one year*	110.3	175.0
	<u>110.3</u>	<u>175.0</u>

*Undrawn facilities as at 31 December 2015 adjusted for \$45,056,000 in bank guarantees (June 2015: \$38,737,000) drawn under the working capital facilities.

Subject to the continuance of satisfactory covenant compliance, the bank loan facilities may be drawn down at any time and have an average maturity of 4.0 years (June 2015: 4.5 years).

As at 31 December 2015, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 1 month \$m	1-6 months \$m	6-12 months \$m	Greater than 1 year \$m
Consolidated As at 31 December 2015				
Trade and other payables	106.9	-	-	-
Financial liabilities at fair value through profit or loss	-	0.3	-	1.8
Borrowings	3.8	6.0	506.2	650.8
Total financial liabilities	<u>110.7</u>	<u>6.3</u>	<u>506.2</u>	<u>652.6</u>
Consolidated As at 30 June 2015				
Trade and other payables	112.9	-	-	-
Financial liabilities at fair value through profit or loss	-	-	0.8	2.2
Borrowings	3.0	7.5	6.6	595.6
Total financial liabilities	<u>115.9</u>	<u>7.5</u>	<u>7.4</u>	<u>597.8</u>

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 and financial liabilities measured and recognised at fair value at 31 December 2015 and 30 June 2015 on a recurring basis:

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
At 31 December 2015				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	1.0	-	-	1.0
Available-for-sale financial assets	535.8	-	-	535.8
Total assets	536.8	-	-	536.8
Liabilities				
Contingent consideration payable	-	-	3.9	3.9
Derivatives used for hedging	-	2.1	-	2.1
Total liabilities	-	2.1	3.9	6.0
At 30 June 2015				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	1.0	-	-	1.0
Liabilities				
Contingent consideration payable	-	-	5.4	5.4
Derivatives used for hedging	-	3.1	-	3.1
Total liabilities	-	3.1	5.4	8.5

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

(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 2015.

There were also no changes made to any of the valuation techniques applied as of 30 June 2015.

(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 \$3.9 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.

	Half year ended 31 Dec 2015 \$m	31 Dec 2014 \$m
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10 Dividends

(a) Ordinary shares

Dividends provided for or paid during the half year	29.0	27.8
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(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 2014 – 2.7 cents), fully franked. The aggregate amount of the proposed dividend expected to be paid on 6 April 2016 out of retained earnings at 31 December 2015, but not recognised as a liability at the end of the half year, is

	28.6	28.5
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11 Contingencies

Contingent liabilities

There has been no material change in contingent liabilities as set out in Qube's 2015 Annual Report.

12 Events occurring after the reporting period

On 28 January 2016, the Consortium announced that it had submitted a binding proposal for the acquisition of all of the issued share capital of Asciano not already owned by the Consortium.

On 15 February 2016, the Asciano Board advised the Consortium that Brookfield had not exercised its matching rights. Therefore, on 16 February 2016, Asciano and the Consortium entered into the Bid Implementation Deed and related sale agreements for the Asciano container terminals and BAPs businesses.

Under the Bid Implementation Deed, the Consortium will be obliged to acquire Asciano shares and Qube will be obliged to acquire the Asciano container terminals business and fund the BAPS acquisition once, among other things, requisite regulatory approvals and Asciano shareholder approvals have been received and the Consortium has a relevant interest in at least 50.1% of issued Asciano shares.

On 23 February 2016, Qube announced that it is in discussions with Brookfield Infrastructure Partners (Brookfield) and its partners to submit a new proposal to acquire Asciano (New Proposal). The discussions remain preliminary, indicative and non-binding at this stage, but the indicative terms contemplate Qube and Brookfield establishing a new joint venture entity to jointly own 100% of Asciano's leading container terminal business. Qube will also have an option for it or its nominee to acquire the 50% of Australian Amalgamated Terminals (AAT) that it does not presently own.

The New Proposal is subject to agreement of binding documentation with Asciano. Until and unless such documentation is agreed, the existing recommended proposal from the Qube Consortium remains on foot.

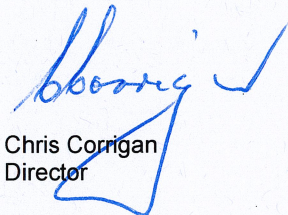
Qube's share of the Consortium's 19.99% interest in Asciano has been classified as a current asset in the statement of financial position. As part of the above proposal Qube would exit its existing Asciano shareholding and acquire its interest in Asciano's container terminals business which is expected to occur within the next twelve months.

Further information on this transaction is contained in Qube's ASX releases of 28 January 2016, 8 February 2016 and 23 February 2016.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 24 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 2015 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.



Chris Corrigan
Director

Sydney
23 February 2016



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 2015, 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 the Qube Holdings Limited Group (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 2015 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*.

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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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



N R McConnell
Partner

Sydney
23 February 2016