ANNUAL REPORT 2012

QUBE

QUBE IS AUSTRALIA'S LARGEST INTEGRATED PROVIDER OF IMPORT AND EXPORT LOGISTICS SERVICES

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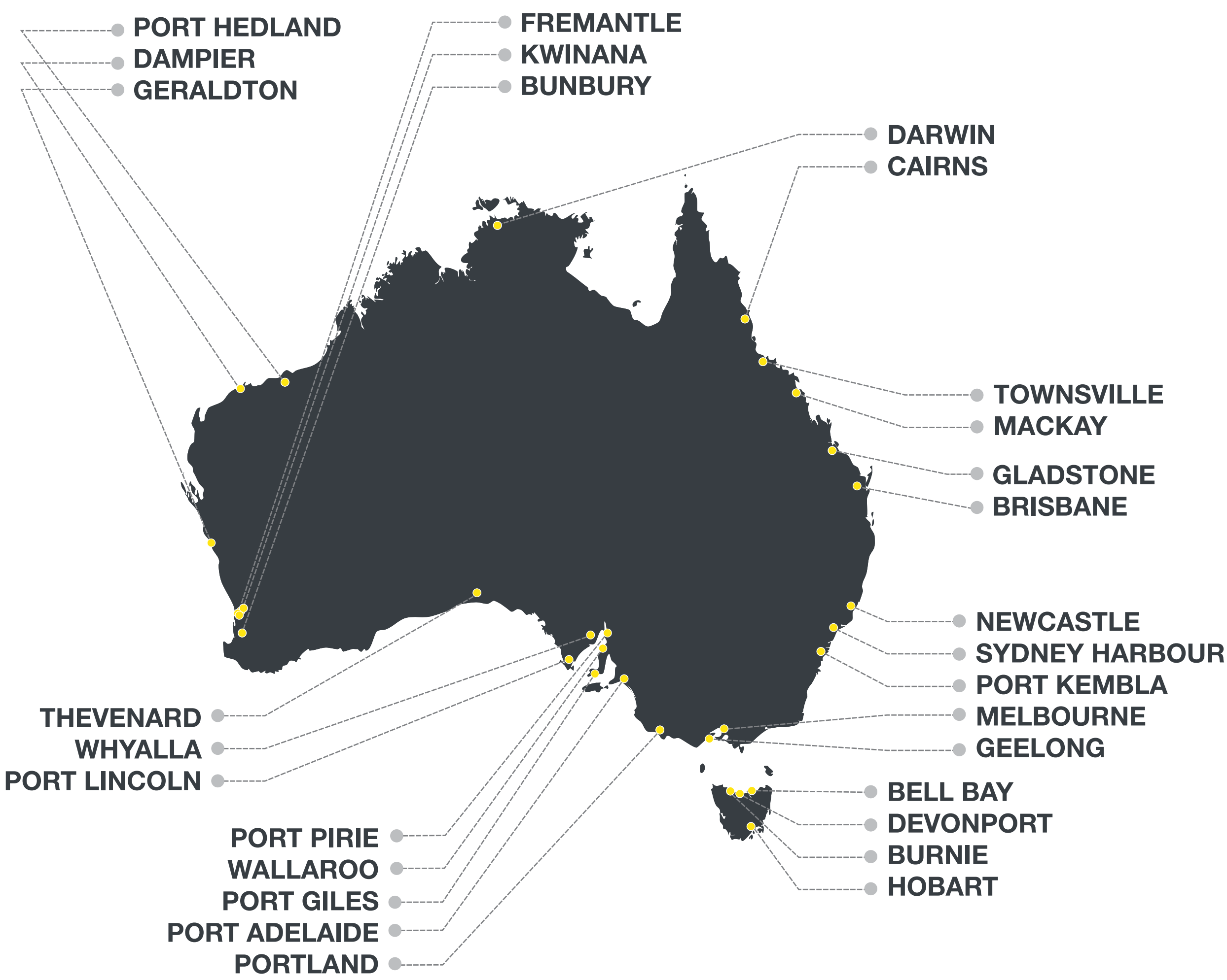
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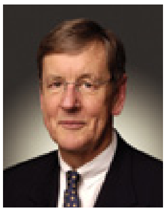
CHAIRMAN'S LETTER



I am pleased to present the 2012 Annual Report for Qube Logistics Holdings Limited (Qube), the first for Qube as a listed corporate entity. The 2012 financial year was a transformational year for Qube with the completion of a number of initiatives and acquisitions that have established a strong foundation for continued long-term growth.

The Qube Restructure which was approved by shareholders in August 2011 and completed in September 2011 was a pivotal milestone in Qube's development as it established the Board, management and corporate structure to support the next stage of Qube's development.

As part of this process, a comprehensive corporate governance framework was put in place to ensure that Qube has the appropriate processes and procedures to deliver sustainable growth for shareholders.

Qube is fortunate to have a very experienced Board with expertise in industries relevant to Qube's activities including logistics, shipping, mining and finance. The management team, led by Maurice James, is amongst the most experienced logistics team in the country with a demonstrated track record of operating and building highly profitable port-related logistics businesses.

Qube delivered very strong results in FY 2012 with pro-forma EBITDA and pro-forma net profit after tax increasing almost 62% and more than 32% to $112.7 million and $61.5 million respectively over the prior year[1].

Qube reported a consolidated statutory loss after tax attributable to Qube shareholders of $2.5 million for the year ended 30 June 2012. However, as previously advised, the pro-forma results provide a better reflection of the underlying performance of Qube's operations during the period as the statutory results include non-recurring costs associated with the Qube Restructure as well as other non-operating and non-cash expenses.

The record underlying financial results achieved by both operating divisions in the 2012 financial year is a reflection on the quality of Qube's management team.

These results are particularly pleasing as they have been achieved in the face of a challenging external environment particularly in Europe, difficult retail conditions domestically and unfavourable weather events in Japan, Thailand and Western Australia that impacted Qube's operations.

The financial results benefitted from the contribution from several complementary strategic acquisitions that Qube undertook during the financial year. These acquisitions expanded the geographical reach, capabilities and diversification of Qube's operations, and will underpin revenue and earnings growth over the medium term. Following these acquisitions, Qube has around 4,000 employees across its various operations and joint ventures.

Additionally, Qube increased its stake in the property located in the Moorebank precinct in Sydney which has been identified as the location for the development of a major logistics freight hub with related logistics infrastructure in the Sydney basin.

Financial strength

Qube has a strong balance sheet with conservative gearing. A four year $550 million syndicated debt facility was finalised in May 2012 which was used to assist in funding the recent acquisitions. Additionally, Qube has undrawn debt facilities and cash which will provide the company with the capacity and flexibility to fund further acquisitions and capital investment. However, in financing its continued growth, Qube will continue to maintain a conservative approach to its capital structure with a long-term target gearing range of 30–40%.

Shareholders received a full year fully franked dividend of 4.1 cents per share, an increase of 7.9% over the previous year. In the future, Qube intends to pay out 50–60% of underlying earnings subject to the capital needs of the business and earnings outlook.

Strategy and outlook

The 2012 financial year saw the company enhance its position as a leading national provider of containerised logistics solutions in the import and export sector. Furthermore, Qube expanded its capabilities to provide mine-to-ship logistics services for the bulk resources sector.

Qube achieved consistent growth by focussing on parts of the logistics supply chain where it has the management team, strategic locations and asset base to achieve sustainable long-term growth. Qube knows and understands these niche markets well and believes they provide scope for continued expansion.

The 2013 financial year will be a year of consolidation for Qube with a strong focus by both the Board and management on extracting synergies from our recent acquisitions. Additionally, Qube will continue to make further investment in facilities and equipment.

As Chairman, I wish to thank the Board, Maurice James and the management team for making Qube's first year such an outstanding success.

Christopher D Corrigan
Chairman

1. References to 'pro-forma' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit.

MANAGING DIRECTOR'S LETTER

Qube's first year as a listed company was one of growth, expansion and investment. Qube's operating divisions delivered a record underlying result in FY 2012 reflecting strong organic growth and the contribution from strategic acquisitions and capital investment. Qube continued to expand and diversify its activities and is well placed to continue to grow despite the challenging external environment.

I am pleased to present the 2012 financial results for Qube Logistics Holdings Limited (Qube). Qube continued to deliver very strong results with pro-forma revenue and EBITDA of $836.7 million and $112.7 million, a 35% and 62% increase on the prior year's pro-forma result. The result reflected revenue and earnings growth in both operating divisions and continued reliable income from the strategic assets.

It is particularly pleasing that the record financial results were achieved while delivering a continued improvement in safety with a material improvement in the lost time injury frequency rate (LTIFR). Management is committed to achieving on-going improvement in safety and to provide a productive and safe work environment for its employees.

Qube undertook a number of acquisitions during the financial year to provide it with long-term access to strategic locations, and to expand the breadth and geographical reach of its logistics operations.

These acquisitions included:

- Mackenzie Intermodal (July 2011);
- Giacci Holdings (March 2012);
- Victoria Dock (March 2012);
- Increased equity in the Moorebank Industrial Property Trust (June 2012); and
- MIST/ITG (signed in June and completed in August 2012).

Qube also completed sizeable investment to acquire new rail locomotives and wagons, trucks, trailers and other capital equipment to increase its capacity to provide reliable, innovative logistics solutions to its customers across multiple aspects of the logistics supply chain.

An increasing proportion of Qube's investment in the year has been targeted at expanding Qube's capacity to provide logistics solutions for the rural and bulk commodities sectors. Qube has identified a broad range of opportunities across both operating divisions to expand its logistics activities in these sectors.

Qube also completed the rebranding of its operating divisions to ensure that all its activities are conducted under the Qube brand. The container-related logistics activities are now operated through Qube Logistics while the ports and bulk related logistics activities are undertaken by Qube Ports & Bulk. The final element of the rebranding is expected to be completed following Qube's Annual General Meeting when shareholders will be asked to approve a name change from Qube Logistics Holdings Limited to Qube Holdings Limited. This change is intended to clearly differentiate the operating division Qube Logistics from the parent entity.

Qube enters the 2013 financial year in a very strong financial position with high quality businesses which are diversified by customer, geography, product type and service. Qube's management team comprises some of the most experienced logistics executives in the country with the expertise to continue to grow Qube's operations despite the challenging domestic and global economic conditions.

Qube will continue to undertake significant investment in FY 2013 to support recent new contracts in the Ports & Bulk division, to expand and improve the facilities in the Logistics division, and to build the capacity and capability of Qube to deliver reliable, innovative solutions for its customers.

Subject to no material deterioration in economic conditions or the industrial relations environment, Qube expects its businesses to deliver underlying revenue and earnings growth in FY 2013, albeit at a lower growth rate than achieved in FY 2012. This will reflect continued organic growth and the full year contribution from acquisitions and investments made during FY 2012.

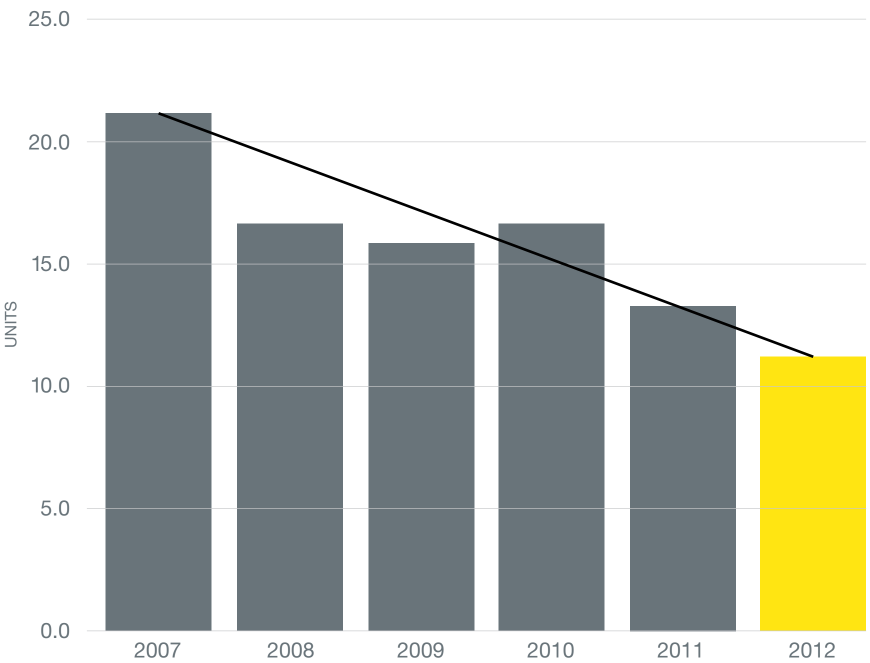
The full benefit of the investments undertaken in FY 2012 and FY 2013 will be realised from FY 2014 and beyond.

I would like to thank Qube's management team and employees for their outstanding contribution in 2012 and look forward to another year of growth for Qube as we deliver reliable and innovative solutions for our customers and long-term value for our shareholders.

Maurice James
Managing Director

OPERATIONAL REVIEW

LTIFR QUBE LOGISTICS HOLDINGS



Qube's operating divisions both generated record financial and operating results during the period. Qube's operations are diversified by region, customer, commodity and service type and are well positioned to continue to grow.

Qube conducts its operations through two divisions. The **Logistics division** is one of the largest national providers of containerised logistics solutions for the import-export supply chain. The **Ports & Bulk division** provides a range of port-related services for the motor vehicle industry, general and project cargo as well as for bulk commodities. A third division, the **Strategic Assets division**, owns and develops key infrastructure which can be used by the two operating divisions in the future.

Qube's strategy is to provide innovative, reliable and cost-effective logistics solutions focussed on the import-export supply chain. Qube seeks to differentiate its service offering by providing integrated solutions covering multiple aspects of the supply chain. This enables Qube to establish scale, reduce costs and improve efficiencies, thereby providing savings and operational benefits to Qube's customers.

This strategy delivered record underlying results in 2012 with Qube's pro-forma revenue and earnings before interest, tax depreciation and amortisation (EBITDA) increasing by 35% and 62% to $836.7 million and $112.7 million respectively. This reflected the contributions from recent acquisitions and investment as well as continued organic growth.

Qube continued to invest in systems and resources to enhance safety across its locations. This focus delivered a reduction in the number of lost time injuries. Qube will strive to improve its safety performance and ensure it provides a safe and productive work environment for all of its employees and contractors.

Further information on the performance of these divisions is provided below.

LOGISTICS DIVISION

The division comprises Qube's wholly owned operations, Qube Logistics, as well as an associate of Qube Logistics, Mackenzie Hillebrand (50%).

The primary focus of Qube Logistics is to provide a broad range of services relating to the import and export of containerised cargo. The services currently provided include the physical and documentary processes and tasks of the import-export supply chain such as road and rail transport of containers to and from ports, operation of full and empty container parks, customs and quarantine services, warehousing, intermodal terminals and international freight forwarding.

In FY 2012, Qube Logistics grew pro-forma revenue by 34.3% from $355 million to $476.8 million, and pro-forma EBITDA by 40.6% from $41 million to $59.3 million. This reflected strong organic growth and the contribution from acquisitions including Mackenzie Intermodal (July 11), Victoria Dock (March 12) and the full year contribution from Troncs Transport (completed January 11).

Qube Logistics has continued to expand its geographic and service footprint over the past year through several acquisitions including:

- the acquisition of Mackenzie Intermodal in July 2011 provides a strategic intermodal site in the Port of Adelaide at Outer Harbour which has a rail siding, warehousing and container storage. The business provides a range of logistics services for the major participants in the wine industry and also provides Qube Logistics with additional terminal facilities for its rail business;
- the acquisition of the Victoria Dock assets in March 2012 provides a strategic site in the Port of Melbourne which has a rail siding, warehousing and a large parcel of land which Qube Logistics is developing for container storage and related activities. As part of this transaction Qube Logistics entered into a formal alliance with Salta Properties to create an Intermodal network throughout metropolitan Melbourne; and
- the acquisition of the MIST group of companies in August 2012 provides a strategic intermodal site at Minto in South-West Sydney which has a rail siding, warehousing and container storage. The transaction increases Qube Logistics' rail capability and intermodal footprint in New South Wales.

A key focus of management in the period has been to expand the logistics services provided to the rural commodity sector and Qube continues to see significant opportunity in this sector as increasing volumes of specialised grains are moved via containers.

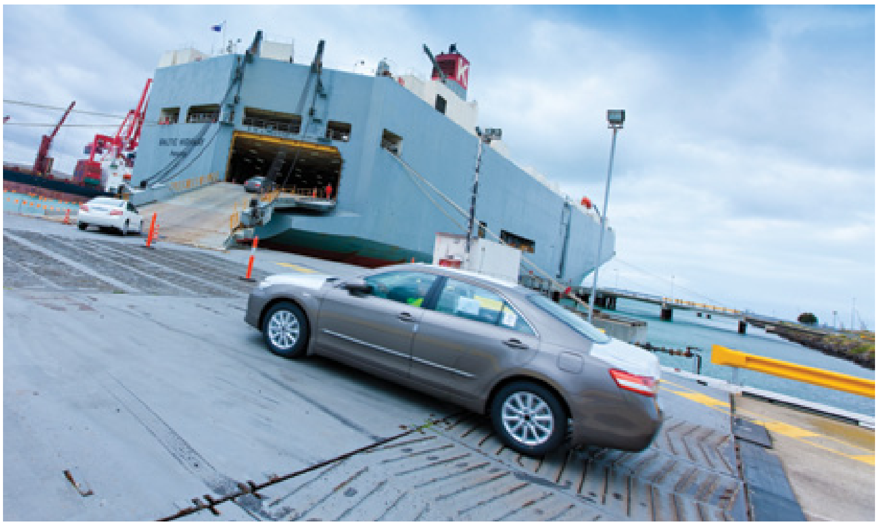
The growth in container volumes moving by rail has also been particularly pleasing with Qube Logistics securing a number of new rail contracts during the year which are expected to make an increasing contribution to revenue and earnings in FY 2013. Importantly, these contracts are typically part of a broader logistics solution involving the provision of other integrated services by Qube Logistics.

The growth has been supported by the acquisitions and capital expenditure on locomotives and wagons during the year which provided additional terminal facilities and equipment which were necessary to facilitate further growth.

The division's rail kilometres travelled increased from around 1.2 million in FY 2011 to around 1.7 million kilometres in FY 2012 and this is expected to increase further as Qube Logistics continues to expand its rail operations.

Qube Logistics is very positive about the outlook for its rail operations given the strong economic and environmental benefits of the modal shift to rail.

Qube Logistics is now one of the largest providers in Australia of containerised logistics services to a broad range of customers including shipping lines, rural exporters, retailers and wholesalers. It provides an integrated, reliable and value-add service across the supply chain which is made possible through key sites in all major capital cities and major regional areas.



PORTS & BULK DIVISION

The Ports & Bulk division is focused on two core activities comprising port and bulk logistics.

The division comprises Qube's wholly owned operations, Qube Ports & Bulk, as well as Qube's associates Australian Amalgamated Terminals Pty Limited (50%), Northern Stevedoring Services Pty Ltd (50%) and Prixcar Services Pty Ltd (25%).

Consistent with Qube's overall strategy, the objective of the division is to provide a comprehensive logistics solution for its customers covering all major aspects of the import-export supply chain.

The division's port activities involve the provision of a range of services for passenger, agricultural and mining vehicles with a strong emphasis on imported motor vehicles. Services include stevedoring of the vehicles from the vessels, storage of the vehicles, processing, inspection and delivery to the end customer. These services are provided both directly by Qube Ports & Bulk and in conjunction with its associates. Qube Ports & Bulk is the largest provider of stevedoring services to the automotive sector in Australia with operations in all capital cities.

Qube's bulk activities are aimed at offering customers a comprehensive logistics solution from mine to port to ship covering activities including transport, stockpile management, warehousing, bulk out-loading and stevedoring.

In FY 2012, Qube Ports & Bulk grew pro-forma revenue by 35.1% from $261.4 million to $353.3 million, and pro-forma EBITDA by 56.2% from $35.7 million to $55.8 million. The associates in the division also contributed increased underlying profits to Qube.

The record divisional result was achieved as a result of high levels of activity across all parts of the business including vehicles, bulk and project cargo. The full year contribution from the Utah Point facility and the partial contribution from the acquisition of Giacci Holdings in March 2012 also assisted the result.

The Qube ports business benefitted from growth in vehicle imports and sales which increased by approximately 5.9% in FY 2012. This had flow-on benefits for other activities within the division including facilities management, processing and storage for Qube's associates, AAT and Prixcar.

Qube has enhanced its ability to offer its import vehicle customers an integrated supply chain solution from "ship to dealer" for its import motor vehicle customers by supporting the acquisition of a vehicle distribution business by Qube's associate Prixcar Services (completed July 2012).

General and project cargo also delivered strong volumes on the back of major new resources and infrastructure projects.

The bulk capabilities within the division were strengthened considerably with the acquisition of Giacci Holdings in March 2012. This acquisition has provided Qube Ports & Bulk with the infrastructure and expertise to expand its service offering deeply into the entire bulk supply chain. This business has strategic property and road fleet assets which provide logistics solutions for miners as part of their production process or from mine to storage to port.

The division handles a diverse range of commodities including iron ore, coal, manganese, copper and nickel concentrates and mineral sands. The main operations are located in Western Australia and Queensland and the Giacci acquisition has expanded operations to South Australia and New South Wales.

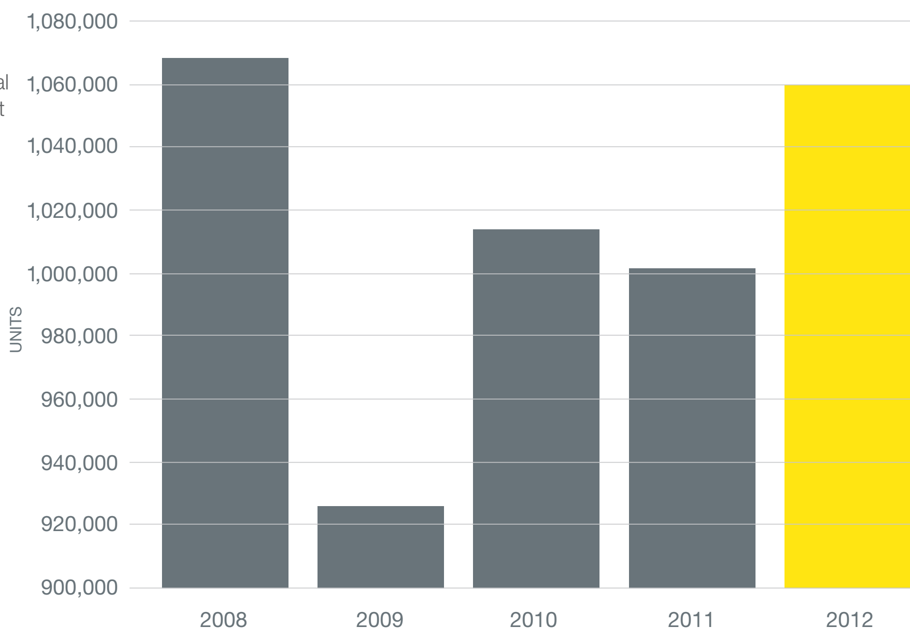
The Utah Point facility has passed its first year anniversary and is exceeding volume expectations with an annualised run rate over 12 million tonnes.

Qube Ports & Bulk continues to progress opportunities to replicate the Utah Point model of working with one or more mining companies which require complete logistics solutions from mine to port to ship from an independent, experienced logistics provider.

Qube Ports & Bulk has continued to invest in innovative technology and capital equipment to provide a superior customer solution.

Through a combination of acquisitions, capital investment and organic growth, management has been successful in diversifying the revenue and earnings by customer, commodity type and region.

AUSTRALIAN ANNUAL NEW VEHICLE SALES



STRATEGIC ASSETS DIVISION

The Strategic Assets division comprises Qube's controlling interest in the Moorebank Industrial Property Trust (MIPT) (66.7%) which owns an 83 hectare property located at Moorebank, and a strategically located property at Minto in Sydney's south west (100%).

Both of these properties are located adjacent to the dedicated Southern Sydney Freight Line (SSFL) presently being constructed.

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

During the year, Qube was able to increase its interest in MIPT from 30% to 66.7% and assumed responsibility for the management of the property and development process. QR National Limited owns the remaining 33.3% of MIPT.

Qube is continuing to progress the necessary planning approvals for the development of the property into an intermodal facility with related logistics activities. The project is continuing to receive strong support from a range of stakeholders who recognise the economic and environmental benefits which will result from the development.

Qube is continuing its negotiations to secure the required consents, the most important of which is access over the private and Government owned land required to construct the rail connection from the new dedicated freight line to MIPT's property.

Importantly, recent developments have clearly established the Moorebank precinct as the future hub for Sydney's metropolitan freight growth. Qube is well placed to benefit from future logistics developments in the precinct.

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CORPORATE GOVERNANCE STATEMENT

This Corporate Governance statement outlines the key aspects of Qube's corporate governance framework. The Board is committed to the highest standards in corporate governance and believes that good governance plays a major role in Qube's success. As at the date of this report, Qube's governance practices comply with the ASX Corporate Governance Council recommendations (**Recommendations**) except as noted below.

Also listed below are matters required to be disclosed by the Recommendations.

Information about the governance framework and the polices and charters referred to in this statement can be found on Qube's website at www.qube.com.au.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible to shareholders for the long-term performance of Qube and for overseeing the implementation of the highest standards of corporate governance with respect to Qube's affairs.

To assist the Board in discharging its responsibilities, Qube has adopted a governance framework which provides for the delegation of functions to Board Committees and senior management (under the leadership of the Managing Director). Whilst ultimate accountability rests with the Board, the framework ensures that functions are carried out by the most appropriate person or group and that a tiered system of responsibility and accountability exists throughout Qube.

The Board operates under a formal charter which sets out its role and responsibilities, and which is available on Qube's website.

In summary, the Board is responsible for:

- Strategy – approving, directing, monitoring and assessing Qube's performance against strategic and business plans as well as approving and monitoring capital management including major capital expenditure, acquisitions and divestments;
- Risk Management – ensuring processes are in place to identify the principal risks of Qube's business and assessing the integrity of Qube's systems of risk management;
- Reporting and Disclosure – approving and monitoring financial and other reporting requirements, including reporting to shareholders and other stakeholders and establishing procedures to ensure compliance with the company's continuous disclosure obligations;
- Management and Performance – evaluating the performance of the Managing Director, approving criteria for assessing, monitoring and evaluating the performance of senior executives, as well as undertaking an annual performance review of the Board's own effectiveness; and
- Corporate Governance – establishing and monitoring the company's compliance with corporate governance standards and encouraging ethical behaviour.

Non-executive directors are advised of the Board's Charter and the terms and conditions of their appointment in formal letters of appointment.

The Board has delegated the day-to-day management of Qube's business to the Managing Director and management. The Managing Director and management regularly report to the Board to enable the directors to discharge their duties. Management and key staff performance is regularly reviewed.

To ensure appropriate oversight of the senior executive team, Qube has adopted a range of mechanisms which reinforce the accountability of the senior executive team for functions delegated to them and ensures their performance is assessed accordingly. The Board is responsible for setting the major goals, objectives and personal development programs for the Managing Director for the year ahead, and then assessing and measuring performance against such goals, objectives and programs.

The Managing Director reviews the performance of all senior executives who report to the Managing Director by way of formal review as appropriate throughout the year. As part of the review process, the Managing Director considers internal feedback, the individual's performance against requisite standards, and actively monitors their contribution to all aspects of Qube's performance and culture.

Performance evaluations for all senior executives were undertaken during the reporting period in accordance with this process.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Board composition

The Board of Qube has eight members of which seven are non-executive directors comprising Mr Chris Corrigan as Chairman, Mr Sam Kaplan as Deputy Chairman, Messrs Ross Burney, Allan Davies, Peter Dexter, Robert Dove and Yutaka Nakagawa, and Mr Maurice James as Managing Director. The Board has also accepted the appointment of Messrs Aage Holm as alternate non-executive director to Mr Dexter, Simon Moore as alternate non-executive director to Mr Dove and Alan Miles as alternate non-executive director to Mr Nakagawa.

The Board is balanced in its composition with each director bringing a range of complementary skills and experience to Qube. Further details regarding the relevant skills, experience, tenure and expertise of each director are set out in the Directors' report.

Messrs Chris Corrigan, Sam Kaplan and Allan Davies are considered by the Board to be independent directors. Qube does not comply with the Recommendation that the majority of the Board be independent as only three of eight existing directors are independent.

The directors believe, despite this, that the Board is appropriately structured given the extensive knowledge of each of the directors regarding Qube and its business divisions and their substantial experience and expert recognition in the logistics industry and other industries relevant to Qube's operations.

Independence

The Board will continually assess the independence of the directors appointed to the Board, the interests they have disclosed and such other factors as the Board determines are appropriate to take into account. In making this determination, the Board is seeking to assess whether directors are:

- independent of management;
- free of any business or other relationship that could materially interfere, or be perceived to materially interfere, with their unfettered and independent judgement; and
- capable of making decisions without bias and which are in the best interests of all members.

Factors to be considered when determining whether a non-executive director is to be regarded as an independent director include whether that director:

- is a substantial shareholder of Qube or an officer of, or otherwise associated directly with, a substantial shareholder of Qube;
- within the last three years has been employed in an executive capacity by any member of the Qube Group;
- within the last three years has been a partner or a senior management executive with audit responsibilities of a firm which has acted in the capacity of statutory auditor of any member of Qube;
- within the last three years has been a principal of a material professional adviser or a material professional consultant to any member of the Qube Group, or an employee materially associated with the service provided – for this purpose a material professional adviser/consultant is an adviser whose billings to Qube exceed 5% of the total revenues of the adviser/consultant;
- is a material supplier to, or material customer of, any member of the Qube Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer – for this purpose a material supplier to Qube means a supplier whose revenues from Qube exceed 5% of the supplier's total revenues and a material customer is a customer whose payments to Qube exceed 5% of the customer's operating costs;
- has a material contractual relationship with any member of Qube other than as a director; or
- has any interest or business or other relationship which could materially interfere with the director's ability to act in the best interests of Qube and independently of management.

These are only factors to be considered and are not determinative of whether a director is to be regarded as independent. Kaplan Funds Management Pty Limited (KFM) provided management services to Qube Logistics, the predecessor entity of Qube, until August 2011. Mr Kaplan was managing director of KFM and holds an interest in Kaplan Partners Pty Limited (KP), the ultimate holding company of KFM. Mr Corrigan held shares in KP and was the head of the Investment Advisory Committee. In view of the historical relationship between KFM and Qube Logistics, the board determined in the context of the 2011 restructure, that Messrs Corrigan and Kaplan be considered as not independent.

In recognition of the fact that the arrangement with KFM has been terminated and will not be recommenced under the current corporate structure of Qube, Messrs Corrigan and Kaplan do not have and are not expected to have any advisory or consultancy role or other material business relationship with Qube and are not substantial shareholders, the Board considers it appropriate to regard each of them as independent.

Accordingly, the Board has made the following determinations:

- Mr Chris Corrigan is an independent director;
- Mr Sam Kaplan is an independent director;
- Mr Ross Burney is not independent as he is associated with Taverners Group, a substantial shareholder of Qube;
- Mr Allan Davies is an independent director;
- Mr Peter Dexter is not independent as he is associated with the Wilhelmsen Group companies, a substantial shareholder of Qube and a material customer of the Qube Group;
- Mr Robert Dove is not independent as he is associated with Carlyle Infrastructure Partners, a substantial shareholder of Qube; and
- Mr Yutaka Nakagawa is not independent as he is associated with the Kawasaki Group companies, a substantial shareholder of Qube and a material customer of the Qube Group.

Independent advice

In order to assist directors in fulfilling their responsibilities, each director has the right (with prior approval from the Chairman) to seek independent professional advice regarding those responsibilities at the expense of Qube.

When a new director is appointed, he or she must undertake an induction program which includes information about Qube's strategies, objectives and values, Qube's governance framework and business operations as well as meetings with key senior management personnel. In addition, all directors have on-going access to information with respect to Qube's business operations and to members of senior management through Board presentations, strategic discussions and site visits.

Board committees

The Board has established three standing committees to assist with the effective discharge of its duties, as follows:

- Audit and Risk Management Committee;
- Nomination and Remuneration Committee; and
- Safety, Health and Environment Committee.

Further detail regarding the standing committees is set out on the following page.

All three committees have at least three members. Non-committee members, including the Managing Director, may attend committee meetings by invitation and generally do attend where appropriate.

Each committee operates under a specific Charter approved by the Board and the Charters are available on Qube's website. The Board regularly reviews the appropriateness of the existing committee structure, as well as the membership and Charter of each committee.

CORPORATE GOVERNANCE STATEMENT (CONT.)

Committee	Members and Composition	Role
Audit and Risk Management Committee	The members of the committee are: • Sam Kaplan (Chairman) • Allan Davies • Ross Burney The committee consists of a majority of independent directors and is chaired by an independent director. The composition of this committee was restructured in September 2012.	The primary responsibility of the committee is to review the integrity of Qube's financial reporting process and to report the results of its activities to the Board. Other responsibilities of the committee include: • assessing internal controls; • confirming compliance with legal and regulatory obligations; • assessing the integrity of the financial reporting process; • overseeing the relationship with, and the independence of, the external auditor; • advising on the provision of non-audit services by the external auditor; and overseeing: – the establishment and implementation of Qube's enterprise-wide risk management systems and reporting; – Qube's compliance systems; and – Qube's corporate governance processes. The committee meets with external auditors on a regular basis.
Nomination and Remuneration Committee	The members of the committee are: • Sam Kaplan (Chairman) • Chris Corrigan • Robert Dove The committee consists of a majority of independent directors and is chaired by an independent director.	The responsibilities of the committee include: • overseeing the remuneration of non-executive directors; • reviewing and making recommendations to the Board on Qube's remuneration policies including senior executive remuneration and short-term incentives ('STI'); • reviewing Qube's superannuation arrangements; • making recommendations to the Board in relation to the implementation and operation of equity-based incentive plans and other employee benefit programs; • reviewing Qube's recruitment, retention and termination policies and fringe benefits; • reviewing the size, composition and necessary competencies of the Board and making recommendations to the Board on the appointment and removal of directors; • consideration of diversity in the context of director and senior executive succession planning; • establishing guidelines for the selection and appointment of new directors, including strategies to address diversity in the Board's composition; and • reviewing succession plans and overseeing the performance evaluation of senior executives including the Managing Director.
Safety, Health and Environment Committee	The members of the committee are: • Allan Davies (Chairman) • Peter Dexter • Yutaka Nakagawa • Maurice James	The responsibilities of the committee include assisting the Board in fulfilling its strategy, policy, monitoring and corporate governance responsibilities in regard to safety, health, environment and operational matters, including: • reviewing the strategies, systems, policies and processes established by Qube management to: (i) protect Qube's reputation; (ii) manage the environmental performance of Qube and its subsidiaries; (iii) monitor the adequacy of safety, health, environment and operational systems for the reporting of actual or potential incidences and breaches; (iv) monitor subsequent investigations and remedial actions; • compliance and related legal and regulatory obligations; and • enterprise-wide risk management.

Appointment and re-election of directors

When appointing new directors, the Board and the Nomination and Remuneration Committee will look to ensure that an appropriate balance of skills, experience, expertise and diversity is maintained. Any recommendations are presented to the full Board.

In considering the selection, appointment and re-election of directors, the Nomination and Remuneration Committee implements Qube's policy of maintaining a Board with a mix of skills, experience and diversity of backgrounds suitable for Qube's current and anticipated future circumstances. External consultants will be engaged to assist with the selection process as necessary and each Board member will have the opportunity to meet with the nominated director.

The Nomination and Remuneration Committee will assess candidates against a range of criteria developed for the role and in doing so consider their background, experience, personal qualities and professional skills. Following this assessment, the Committee will provide its recommendation of the preferred candidates for the Board to consider prior to making the appointment.

Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment. Directors to be re-elected are reviewed by the Nomination and Remuneration Committee. Directors are re-elected in accordance with the Qube Constitution and the ASX Listing Rules.

Tenure and retirement

Directors appointed to casual vacancies during any reporting period are required to stand for election at the next general meeting of members.

All directors, excluding the Managing Director, are required to retire and, if eligible, stand for re-election by members at least once every three years. Further, one third of the Board is up for re-election at each annual general meeting. Before recommending the re-election of any director to members, the Board has regard to the recommendations of the Nomination and Remuneration Committee, any relevant performance assessments and the mix of skills, experience and expertise represented on the Board at the time.

Directors required to retire at a meeting, or only hold office until that meeting, are eligible for re-election or election (as appropriate).

Where incumbent directors are to be nominated for re-election, their performance is reviewed by the Nomination and Remuneration Committee. The committee then makes recommendations to the Board as to their nomination for re-election. The Board then makes recommendations to shareholders in the Notice of Meeting concerning the election or re-election of any director.

Induction and training

Upon appointment, directors receive an induction pack which includes:

- a letter of appointment, which refers to and summarises the securities dealing policy and the shareholder communication policy;
- a copy of the code of conduct and ethics;
- a director's interests disclosure agreement; and
- a deed of indemnity, insurance and access.

At this time, directors are also introduced to the senior executive team and receive a briefing in relation to meeting arrangements and the culture and values of Qube.

Qube recognises the importance of providing continuing education to directors so as to enhance their knowledge of the Group and the industries in which it operates. As part of the Board's on-going development program, directors attend an annual off-site planning and strategy session which includes briefings on current and future projects. Additionally, several Board meetings each year are held at operational locations and typically include site visits to supplement the Board's knowledge and understanding of Qube's operations.

Performance review

The Board has adopted a policy setting out a performance evaluation process for the Board. This policy provides that the performance of the Board, each of its committees and each director will be reviewed annually. The policy also sets out matters that will be considered relevant in assessing their performance.

Additionally, as part of this review, the Chairman may decide to meet with the Board as a whole and with each director individually to discuss the effectiveness of the Board and each of the committees.

Such reviews may also be conducted by an external consultant. Where an independent external consultant has been engaged to assist with the review, the Board will consider the results of the review and, where desirable, take steps to implement any recommendations for improving Board performance.

A comprehensive process for the evaluation of the performance of senior executives is conducted on an annual basis. The results of these reviews are used by the Nomination and Remuneration Committee in determining future remuneration.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of conduct and ethics

Qube is committed to conducting its business in accordance with the highest standards of ethical behaviour. All directors, managers and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of Qube. Accordingly, Qube has established policies in order to maintain confidence in Qube's integrity and encourage compliance with both legal obligations and stakeholder expectations.

Qube's code of conduct and ethics sets out obligations in relation to Qube's fair dealing, insider trading, equal opportunity, privacy and confidentiality, health and safety, the environment, gifts and favours, conflicts of interest, expenses and claims, and use of company property.

The code is also available on Qube's website.

Not withstanding the above policy, employees are encouraged to report unacceptable behaviour to their nominated supervisors or the Company Secretary in the first instance.

Qube recognises the value of attracting and retaining employees with different knowledge, abilities and experiences and is committed to creating a working environment that is fair and flexible, promotes personal and professional growth, and benefits from the capabilities of its diverse workforce.

Diversity

Qube believes that a talented and diverse workforce is a key driver of competitiveness and Qube's success is a reflection of the quality and skills of its people. Qube is committed to providing equal employment opportunities and fostering an environment which attracts, welcomes and retains a diverse and talented workforce, and to treating people equitably with respect, dignity and fairness.

Diversity recognises and values the contribution of people with differences in capabilities, experience and perspectives.

CORPORATE GOVERNANCE STATEMENT (CONT.)

Diversity encompasses gender, age, ethnicity, religious, and cultural backgrounds.

Qube is committed to:

- attracting and retaining well-qualified employees, senior management and Board members from a deep talent pool;
- eliminating artificial, unfair and inappropriate barriers to workplace and Board participation and facilitating equal employment opportunities based on merit, performance and potential;
- taking action against inappropriate workplace behaviours including discrimination and harassment;
- providing the opportunity for workplace flexibility when meeting business requirements; and
- creating an inclusive workplace culture, recognising that people are different and valuing those differences.

Qube policy also requires that all positions at Qube are filled on the basis of merit. This means that applicants for positions for which a formal recruitment process is undertaken will be assessed on the basis of the competencies they possess in relation to the requirements of the job. Merit-based selection ensures the opportunity exists for all applicants to demonstrate their competencies for the position being offered.

As such, Qube's diversity policy does not include a requirement on the Board to establish measurable objectives for achieving gender diversity or to assess any such objectives or progress towards achieving them. The proportion of women employees throughout the Qube Group is approximately 15.1%. The proportion of women employees in senior executive positions is approximately 6.5%. There are no women on the Board.

Conflicts of interest

All directors are required to disclose any actual or potential conflict of interest at the time of their appointment and are required to keep these disclosures up to date.

Directors who have a conflict of interest in relation to a particular item of business being considered by the Board must absent themselves from the Board meeting before commencement of discussion on the topic.

Dealing in the company's securities

The Board has adopted a securities dealing policy which provides guidance to directors and employees regarding dealing in Qube securities. All directors, executives and employees are prohibited from trading in the company's securities, related financial products and derivatives whenever they have price sensitive information which is not generally available.

The company also provides informal briefing sessions on the policy for directors, senior executives and relevant employees of the company as part of its continuing employee education initiatives. A copy of the policy is available on Qube's website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has an Audit and Risk Management Committee whose terms of reference and procedures govern its responsibilities and composition requirements.

The Audit and Risk Management Committee assists the Board in fulfilling its statutory responsibilities in relation to financial reporting, risk management and internal control. The committee's responsibilities have been outlined under Principle 2 – Structure the Board to add value. The Recommendation that a majority of members of the Audit and Risk Management Committee be independent and be chaired by an independent director was satisfied from September 2012.

The Audit and Risk Management Committee also monitors procedures to ensure the rotation of external audit engagement partners every five years as required by the Corporations Act. If circumstances arise where it becomes necessary to replace the external auditor, the Audit and Risk Management Committee will formalise a process for the selection and appointment of a new auditor and recommend to the Board the external auditor to be appointed to fill the vacancy. Policies are also in place to restrict the type of non-audit services which can be provided by the external auditor and there is a detailed review of non-audit fees paid to the external auditor.

The company's external auditor is PwC. All Audit and Risk Management Committee papers are available to the external auditor, and they are invited to attend all committee meetings and are available to committee members at any time. The external auditor also attends the AGM to answer any questions from shareholders.

As the company's external auditor, PwC is required to confirm its independence and compliance with specified independence standards on a half-yearly basis. This declaration is contained in this Annual Report.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Qube is committed to providing timely, open and accurate information to all of its stakeholders including shareholders, employees, regulators and the investment community.

The Board has adopted a disclosure policy that sets out the company's approach to continuous disclosure and to external announcements generally. The policy provides an outline of the company's continuous disclosure obligations and sets out the measures it has implemented to ensure compliance with these obligations, including listing the kind of matters that would generally require disclosure.

The policy also provides guidelines for the management of external announcements and specifies the company's authorised spokespeople.

A copy of the Continuous Disclosure Policy is available on Qube's website.

In accordance with the policy, senior executives that become aware of potentially price-sensitive information must immediately report this to the company's disclosure officers, being either the Managing Director or Company Secretary.

Although the Board has ultimate responsibility for ensuring that the company complies with its continuous disclosure obligations, the Board has delegated to the company's disclosure officers responsibility for overseeing compliance with the company's continuous disclosure policy.

The Board reviews the continuous disclosure policy at appropriate times to ensure it is effective and remains consistent with relevant laws and ASX requirements.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Qube is committed to the delivery of timely and relevant information to its shareholders and to the broader investment community. Shareholders are provided with access to on line half-yearly and annual reports and have the option of receiving hard copies of these documents if required.

The website also provides a broad range of information about Qube and is updated regularly. All Qube announcements are available on the website.

The Board encourages full participation by shareholders at the AGM to ensure accountability and transparency. The external auditor will attend the AGM to answer shareholder queries about the Auditor's Report.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Oversight and management of material business risks

The Board is responsible for the oversight of Qube's risk management and control framework. The Audit and Risk Management Committee and Safety, Health and Environment Committee assist the Board in fulfilling its responsibilities in this regard by reviewing and monitoring the financial and reporting aspects of Qube's risk management and control framework. A copy of the Risk Management Policy is available on Qube's website.

As required by the Board, management has implemented a policy framework designed to ensure that Qube's material business risks are identified and that adequate controls are in place and function effectively, and for management to report to the Board on whether those risks are managed effectively. This framework incorporates the maintenance of comprehensive policies, procedures and guidelines which span Qube's diverse activities, including setting financial controls, conducting business audits, investment and acquisition overview, and ensuring high standards in corporate communications and external affairs.

Responsibility for control and risk management is delegated to the appropriate level of management within Qube with the Audit and Risk Management Committee and Safety, Health and Environment Committee having ultimate accountability to the Board for the risk management and control framework.

Risk management and internal control system

The risk management framework incorporates input from a range of existing systems, programs and policies including:

- a comprehensive occupational health and safety program, including specific targets for continuous improvement, occupational health and safety standards, rail safety standards and safety management systems, all of which are monitored and reviewed to achieve compliance with applicable legislation and regulations;
- a delegation of authority policy, including guidelines and approval limits for operational and capital expenditure and investments;
- a comprehensive annual insurance program;
- a Board-approved finance policy;
- annual budgeting and monthly reporting systems for all divisions to monitor performance against budget targets;
- the identification and assessment of strategic risks in the annual review and updating of strategic plans and associated business models; and
- an environmental regulation compliance policy and improvement strategies.

Management assurance

In accordance with section 295A of the Corporations Act 2001 and recommendation 7.3 of the ASX Principles, the Managing Director and the Chief Financial Officer provided assurances to the Board attesting that to the best of their knowledge and belief:

- Qube has determined the material business risks it faces and has established the necessary policies for the oversight and management of material business risks;
- there is a risk management and internal control system in place to manage Qube's material business risks, including both financial and non-financial risks, and to ensure that those risks are being managed effectively;
- the integrity of the financial statements is founded on a sound system of risk management and internal control and compliance; and
- Qube's risk management and internal control and compliance system is operating efficiently and effectively in all material respects regarding financial reporting risks.

The Managing Director and the Chief Financial Officer require that management of the business divisions and of the corporate function complete a declaration on a six monthly basis for each financial reporting period addressing financial reporting and the internal control environment.

The assurances provided to the Board, due to their nature, are not absolute. The assurances provided are based on judgements, use of sample testing and the inherent limitations of internal control.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Nomination and Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, non-executive directors and, where appropriate, senior executives.

The committee may also review and make recommendations regarding the policies applicable to staff salary reviews generally. One of the requirements of the committee is to ensure remuneration levels are competitively set in order to attract and retain appropriately qualified and experienced directors and senior executives.

The duties of the Nomination and Remuneration Committee have been outlined under Principle 2 – Structure the Board to add value.

Qube's approach to non-executive director, Managing Director and senior executive remuneration is set out in the Remuneration Report.

Qube's remuneration framework is designed to support the strategies, objectives and future direction of the business by attracting and retaining high calibre individuals. The level and mix of remuneration of non-executive directors and other senior executives is determined by reference to the market via survey data and may include input from external professional remuneration consultants.

The remuneration framework clearly distinguishes the remuneration structure for non-executive directors from that of the Managing Director and other senior executives and Qube does not have any schemes or retirement benefits (other than superannuation) in place for its non-executive directors.

Qube has established an executive long-term incentive plan under which participating executives are provided with non-recourse interest bearing loans to buy shares in Qube that vest in tranches depending on achievement of certain key performance indicators.

Qube's securities dealing policy includes a prohibition on entering into transactions in financial products which limit the economic risk of holding unvested entitlements under any equity-based remuneration schemes. A copy of the policy is available on Qube's website.

DIRECTORS' REPORT

30 JUNE 2012

Your directors present their report on the consolidated entity (referred to hereafter as 'the Group') consisting of Qube Logistics Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

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

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

DIVIDENDS/DISTRIBUTIONS PROVIDED OR PAID BY THE COMPANY DURING THE FINANCIAL YEAR:

	Cents per share	Total $M	Franked/ unfranked	Payment date
Ordinary Shares				
2012				
2011 Final dividend	1.9	15.2	Franked	31/10/2011
2012 Interim dividend	2.0	17.5	Franked	4/4/2012
2011				
2010 Final dividend	1.5	7.7	Franked	30/9/2010
2011 Interim dividend	1.9	9.8	Franked	31/3/2011
Dividends paid or declared by the company after year end:				
2012 Final dividend	**2.1**	**19.3**	**Franked**	**17/10/2012**

REVIEW OF OPERATIONS

Qube has continued its focus on being a leading logistics provider focussed on the import-export supply chain. Qube aims to provide competitive, quality services to its customers by offering comprehensive logistics solutions across multiple aspects of the supply chain.

Restructure

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

Firstly, Qube changed its structure from a trust to a company. This included appointing a Board of Directors with extensive experience and expertise across industries relevant to Qube's activities including logistics, mining, shipping and infrastructure.

Secondly, Qube internalised the management function thereby ensuring it had its own dedicated management team reporting to the Board. The corporate management team, led by Maurice James and management within the broader Qube group include some of the most experienced senior logistics executives in the country.

Thirdly, Qube acquired additional shareholdings in certain logistics businesses that gave Qube control or increased shareholdings in these entities. The operational businesses are all quality businesses with attractive growth outlooks and provide a solid foundation for Qube's continued growth.

These three initiatives have provided Qube with a much simpler corporate structure, a dedicated management team focussed on continuing to build Qube's logistics capabilities and value, and increased control over strategic logistics businesses. As a result, Qube is well placed to continue its growth both organically and through selective acquisitions.

There were a number of non-recurring costs that were associated with these initiatives that had a significant impact on Qube's statutory result for the period. Additionally, as a result of these initiatives, the accounting treatment for Qube changed during the period from a managed investment scheme, fair valuing its investments in associate entities and taking the gain or loss through the income statement, to that of a corporate entity that equity accounts its share of the associates' profit after tax and reserves. As a result of these factors, the statutory results for the year ended 20 June 2012 are not comparable to the reported results for the year ended 30 June 2011, nor in the directors' opinion do the results provide a reflection of the underlying profitability of Qube and its businesses over this period.

Building on foundations for growth

During the period, Qube continued to enhance its capabilities across the logistics supply chain through several acquisitions and capital expenditure that expanded both the geographic reach and range of services that can be offered by Qube.

The acquisition of Mackenzie Intermodal in July 2011 provided the Logistics division with increased scale and rail capabilities for its South Australian operations.

In March 2012, Qube completed the acquisition of Giacci Holdings Pty Limited, a major logistics provider to the bulk sector. The acquisition has enabled Qube to provide a complete mine-to-ship logistics solution covering transport, stockpile management and stevedoring. This expanded range of services has already enabled Qube to secure a major contract and has positioned the business for continued long-term growth.

In March 2012, Qube secured its long-term tenure on a major site located within Australia's busiest container port precinct through the acquisition of assets and assignment of leases at Victoria Dock in Melbourne. Qube will spend around $15 million over the next 12–18 months to develop this site into a major logistics and stevedoring facility comprising rail, hardstand and on-site warehousing.

In May 2012, Qube announced that its associate, Prixcar Services Pty Limited had agreed to acquire a vehicle distribution business. This acquisition, which was completed in July 2012, provides Prixcar with the ability to offer its customers a fully integrated end-to-end supply chain management service.

In June 2012, Qube completed the acquisition of an additional 36.7% interest in the Moorebank Industrial Property Trust, increasing Qube's interest in this strategic property to 66.7%. Qube is continuing to progress the necessary planning approvals for the future development of this property into a major logistics hub to service the expected future growth in container volumes in Sydney.

In June 2012, Qube also announced that it would expand its logistics capabilities for the rural commodities sector and acquire an additional intermodal terminal facility through the acquisition of Macarthur Intermodal Shipping Terminal (trading as ITG). On 22 August 2012 Qube completed this acquisition.

These transactions are complementary to Qube's existing operations and collectively provide solid foundations for continued revenue and earnings growth over the medium to long-term.

During the period, Qube undertook significant capital expenditure on new equipment including locomotives, wagons, containers and vehicles to ensure it had the capacity to deliver an efficient, reliable service for its customers.

Strong financial performance

Qube delivered strong financial results in the period with underlying revenue and earnings increasing in all divisions.

Logistics Division

The Logistics division reported record revenue reflecting organic growth and the benefits of the recent acquisitions. These results were achieved despite a difficult retail environment that impacted some of Qube's customers and put pressure on volumes and margins for logistics services to the retail sector.

Management has focussed on offering customers a comprehensive logistics solution covering a broad range of services including road and rail transport, customs and quarantine clearance, warehousing, international freight forwarding and empty container storage.

The division has continued to invest in new rail locomotives and wagons with 8 new locomotives and around 100 wagons commissioned during the period and in service at the end of the period. Qube is now a major rail provider for movement of freight to and from ports, particularly for the rural sector.

The transactions completed during the year have reinforced Qube's position as one of the leading national providers of containerised logistics solutions for the import-export sector.

Ports & Bulk Division

The Ports & Bulk division also delivered record results in the period and substantially improved operating margins over the prior year largely due to the contribution from capital investment made in previous periods.

The ports activities benefitted from strong vehicle imports and sales which contributed to stevedoring, facilities access, storage and processing revenue. This was particularly evident in the second half of the year following recovery in vehicle production volumes overseas after severe weather events had disrupted production. Project and general cargo volumes also contributed to the result, reflecting the significant infrastructure investment being undertaken in Queensland and Western Australia.

Revenue and earnings from bulk activities grew as Utah Point delivered a full year's contribution and Qube's other bulk activities benefitted from strong commodity demand for most of the period. The acquisition of Giacci Holdings in March increased the capabilities of Qube to offer mine-to-ship logistics solutions and also diversified the customer base and commodity exposure of the Group.

The results for the division were particularly pleasing as the businesses had to manage a difficult industrial relations environment and several major climatic events that impacted operations during the period.

Strategic Assets

The Strategic Assets division continued to generate stable income during the period from the existing tenants. The highlight during the period was the transaction in June 2012 whereby Qube increased its ownership in the Moorebank property to 66.7% and took over responsibility for the management of the development.

Moorebank has been confirmed as the hub for major logistics activities in Sydney. Qube's Moorebank property and other related logistics operations are therefore ideally positioned to benefit from future development of the precinct.

Qube is continuing to actively engage with key stakeholders to gain the necessary approvals to progress the development of an inland terminal and related logistics activities on its site at Moorebank.

DIRECTORS' REPORT (CONT.)

30 JUNE 2012

Funding

Qube substantially increased its funding capacity during the period.

In August 2011, Qube refinanced its investment in Minto Properties through a new $25.05 million term debt facility.

In December 2011, Qube raised approximately $85 million through a placement to provide it with the financial capacity to fund its growth. This placement was oversubscribed with strong demand from existing and new shareholders.

In May 2012, Qube finalised a new four year $550 million syndicated debt facility that refinanced the existing term debt within Qube and the two operating divisions and provided additional funding capacity.

These initiatives have provided Qube with cash and undrawn debt facilities to fund Qube's continued growth.

The table below provides a reconciliation of the net profit before tax of Qube to the Pro-forma Proportionate EBITDA removing the cost impact of the restructure and other major non-cash, non-operating and non-recurring expenses on the results for the year ended 30 June 2012.

	FY12 $'000	FY11 $'000
Revenue from external customers	**781,975**	**278,664**
Pro-forma adjustments	54,753	342,956
Pro-forma revenue	**836,728**	**621,620**
Proportional share of associates revenue	105,971	80,527
Pro-forma Proportional Revenue	**942,699**	**702,147**
Net profit/(loss) before income tax	**(1,795)**	**71,351**
Share of profit of associates	(13,235)	–
Interest income	(4,842)	(4,853)
Interest expense	16,613	6,015
Depreciation & amortisation	36,215	7,396
EBITDA	**32,956**	**79,909**
Fair value of derivatives	2,812	–
Fair value adjustments (net)	255	(67,599)
Non-recurring Qube restructure items (excluding stamp duty)	42,757	–
Legacy share-based payments	8,613	–
Refinance costs	7,419	–
Stamp duty	10,307	–
Adjusted EBITDA	**105,119**	**12,310**
Pro-forma adjustments	7,581	57,411
Pro-forma EBITDA	**112,700**	**69,721**
Proportional share of Associates EBITDA	33,033	27,850
Pro-forma Proportional EBITDA	**145,733**	**97,571**

The table above has been extracted from note 3 of the financial statements but is un-audited.

PRO-FORMA ADJUSTMENTS

The Pro-forma adjustments are intended to demonstrate the underlying result for Qube as if the Qube Restructure had been completed on 30 June 2011.

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

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

Pro-forma Proportional Revenue is Pro-forma Revenue adjusted to include the 12 month proportional revenue contribution from Qube's associates and MIPT.

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

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

Pro-forma EBITDA is Adjusted EBITDA amended to:

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

Pro-forma Proportional EBITDA is Pro-forma EBITDA adjusted to include the 12 month proportional EBITDA contribution from Qube's associates and MIPT.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Except for the new acquisitions and investments discussed above, no other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Subject to no material deterioration in economic conditions and the industrial relations environment, Qube is well positioned to continue to grow revenue and earnings in 2013, albeit the growth rate is likely to be lower than achieved in 2012.

The Group will continue to pursue its policy of developing strategic businesses that can deliver sustainable increase in earnings over the medium to long-term.

ENVIRONMENTAL REGULATION

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

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

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

DIRECTORS' REPORT (CONT.)
30 JUNE 2012

INFORMATION ON DIRECTORS

CHRISTOPHER CORRIGAN
Chairman – Non-executive director

Experience and expertise

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

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

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

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

Directorships of listed companies held during the last three years
- Consolidated Media Holdings Limited – from 8 March 2006 to current
- Crown Limited – from 6 July 2007 to current
- Webster Limited – from 30 November 2007 to 9 July 2010

Special responsibilities
- Chairman of the board
- Member of the Nomination & Remuneration committee

SAM KAPLAN
Deputy Chairman – Non-executive director

Experience and expertise

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

Mr Kaplan is an experienced board member and is currently a director of Prixcar Services Pty Limited and an alternate director of Maritime Super, Northern Stevedoring Services Pty Limited and Australian Amalgamated Terminals Pty Limited.

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

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

Directorships of listed companies held during the last three years

None

Special responsibilities
- Chair of Nomination & Remuneration committee
- Member of Audit and Risk Management committee

MAURICE JAMES
Managing Director

Experience and expertise

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

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

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

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

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

Directorships of listed companies held during the last three years

None

Special responsibilities
- Managing Director

ROSS BURNEY
Non-executive director

Experience and expertise

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

Mr Burney is on the board of Oncard International Limited and recently retired as a director of MSF Sugar Limited and Customers Limited.

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

Directorships of listed companies held during the last three years
- Customers Limited – from November 2010 to 4 July 2012
- Oncard International Limited – from May 2010 to current
- MSF Sugar Limited – from February 2006 to 8 September 2011

Special responsibilities
- Member of Audit and Risk Management committee

ALLAN DAVIES

Non-executive director

Experience and expertise

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

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

Mr Davies was a director of Pacific National from its initial acquisition by Toll and Patrick in 2001 until 2006. In addition, Mr Davies is currently an executive director of Whitehaven Coal Limited.

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

Directorships of listed companies held during the last three years

- Executive director of Whitehaven Coal Limited – from 25 February 2009 to current
- Non-executive director of QR National Limited – from 19 February 2009 to 13 December 2011

Special responsibilities

- Chair of Safety, Health and Environment committee

PETER DEXTER AM

Non-executive director

Experience and expertise

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

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

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

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

Directorships of listed companies held during the last three years

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

Special responsibilities

- Chair of Audit and Risk Management committee
- Member of Safety, Health and Environment committee

ROBERT DOVE

Non-executive director

Experience and expertise

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

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

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

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

Directorships of listed companies held during the last three years

None

Special responsibilities

- Member of Nomination & Remuneration committee

YUTAKA NAKAGAWA

Non-executive director

Experience and expertise

Mr Nakagawa has almost 30 years' experience in the shipping industry. He is presently chairman of "K" Line (Australia) Pty Limited, managing director of Kawasaki (Australia) Pty Limited and director of "K" Line Auto Logistics Pty Limited.

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

Directorships of listed companies held during the last three years

None

Special responsibilities

- Member of Safety, Health and Environment committee

AAGE HOLM

Alternate non-executive director

Experience and expertise

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

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

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

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

Directorships of listed companies held during the last three years

None

Special responsibilities

- Alternate director for Peter Dexter

DIRECTORS' REPORT (CONT.)
30 JUNE 2012

INFORMATION ON DIRECTORS (CONT.)
ALAN MILES
Alternate non-executive director

Experience and expertise

Mr Miles is managing director of "K" Line (Australia) Pty Limited. Mr Miles has more than 30 years' experience in the Australian shipping industry, including management roles of Bulk, Liner and PCC Shipping.

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

Mr Miles was appointed as a director of Qube on 7 November 2011.

Directorships of listed companies held during the last three years
None

Special responsibilities
- Alternate director to Yutaka Nakagawa

SIMON MOORE
Alternate non-executive director

Experience and expertise

Mr. Moore is a managing director with The Carlyle Group based in Sydney, Australia.

Prior to joining The Carlyle Group, Mr. Moore was a managing director and Investment Committee Member of Investcorp International, Inc. based in New York. While at Investcorp International, Mr Moore was a director of CSK Auto, Inc., Aero Products International, Inc., MW Manufacturers, Inc. and Associated Materials Holdings.

Prior to that, Mr Moore worked in private equity investments and investment banking at J.P. Morgan & Co. in New York, Hong Kong and Melbourne.

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

Other current directorships
- Non-executive director of Coates Group Holdings Pty Limited

Directorships of listed companies held during the last three years
None

Special responsibilities
- Alternate director to Robert Dove

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY
The Chief Financial Officer and Company Secretary is Mr Paul Lewis. He has been involved with Qube since its establishment, responsible for managing the commercial and legal aspects of all of Qube's investments. Prior to Qube, Mr Lewis was a senior executive at Patrick Corporation where he was responsible for investments and acquisitions.

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year from the completion of the Qube Restructure, and the numbers of meetings attended by each director were:

			Meetings of committees					
	Full meetings of directors		Audit & Risk Management		Nomination & Remuneration		Safety, Health & Environment	
	A	B	A	B	A	B	A	B
Chris Corrigan	5	7	**	**	3	3	**	**
Sam Kaplan	7	7	3	3	3	3	**	**
Maurice James*	7	7	**	**	**	**	1	1
Ross Burney	6	7	3	3	**	**	**	**
Allan Davies	7	7	**	**	**	**	1	1
Peter Dexter	6	7	3	3	**	**	**	**
Robert Dove	6	7	**	**	3	3	**	**
Yutaka Nakagawa	6	7	**	**	**	**	1	1
Aage Holm	1	1	**	**	**	**	**	**
Alan Miles	1	1	**	**	**	**	**	**
Simon Moore	1	1	**	**	**	**	**	**

A = Number of meetings attended

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

* = Not a non-executive director

** = Not a member of the relevant committee

DIRECTORS' REPORT (CONT.)
30 JUNE 2012

REMUNERATION REPORT

1. MESSAGE FROM THE BOARD

The Board presents the Qube Remuneration Report for the year ended 30 June 2012.

The Board is committed to ensuring Qube's remuneration framework is aligned with the business's objectives and performance, and believes the remuneration structure adopted within this framework is appropriate given the market sectors in which the Group operates. The Board is committed to clear and transparent disclosure of Qube's remuneration arrangements.

This remuneration structure is designed to attract and retain employees with the skills and experience required to deliver the Group's strategy. It is also designed to deliver appropriate performance-based rewards to executives.

Each year, the Board reviews and considers enhancements to the remuneration framework to ensure it remains appropriate.

As outlined in the following pages, the Board has implemented changes to the short-term incentive and long-term incentive measures for the Managing Director and other key management personnel of the Group.

The report also illustrates how Qube's performance for the 2012 financial year has resulted in the reported remuneration outcomes and outlines the changes Qube has made to its remuneration structure going forward to ensure it is fully aligned to the objectives set by the Board.

The 2012 Financial Year

As noted in the Directors Report, the 2012 financial year was a year of transition for Qube where the company moved from being a managed investment scheme, operated through a trust structure, to a logistics business operating through a corporatised entity. These changes included the termination of the external management agreement and the appointment of a Board and head office management team.

Pursuant to these changes Qube has been transitioning the existing remuneration arrangements to a standardised structure throughout the Group. This has included replacing option schemes that had existed within Qube's subsidiaries with other schemes aimed at driving long-term growth in Qube. Notwithstanding the standardisation process being undertaken, Qube still has one legacy long-term incentive remuneration arrangement which remains in place until December 2014.

2. REMUNERATION SUMMARY

This remuneration report sets out remuneration information for Qube's non-executive directors, executive directors, and other key management personnel of the Group.

Directors and executives disclosed in this report

Name	Position
Non-executive directors	
Chris Corrigan	Chairman, Non-executive director
Sam Kaplan	Deputy Chairman, Non-executive director
Ross Burney	Non-executive director
Allan Davies	Non-executive director
Peter Dexter	Non-executive director
Robert Dove	Non-executive director
Yutaka Nakagawa	Non-executive director
Aage Holm	Alternate director for Peter Dexter
Alan Miles	Alternate director for Yutaka Nakagawa
Simon Moore	Alternate director for Robert Dove
Executive directors	
Maurice James	Managing Director
Other key management personnel	
Paul Lewis	Qube CFO and company secretary
Don Smithwick	MD Ports & Bulk division
Paul Digney	MD Logistics division

Principles used to determine the nature and amount of executive remuneration

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

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

For the year ended 30 June 2012 the executive remuneration framework consists of total fixed remuneration, cash short-term incentives and deferred long-term incentives. The mix between these three components for particular roles varies and is determined by the Nomination & Remuneration committee.

DIRECTORS' REPORT (CONT.)

30 JUNE 2012

REMUNERATION REPORT (CONT.)

	Objective	Performance condition
Fixed remuneration	Reflects the market value of the role and the incumbent's skills, experience and performance, having regard to Qube's philosophy outlined above.	Reviewed annually following individual performance review and internal peer relativity.
Short-term incentive ('STI') – at risk	Incentive for the achievement of financial and non-financial objectives for the year.	Executives participate in a formal STI plan which assesses performance against pre-determined KPI's over the financial year. The STI is in the form of a cash payment which is based on pre-determined financial and non-financial targets. The financial and non-financial measures against which the STI is assessed are set at the beginning of each year. They are based on scorecard measures approved by the Nomination & Remuneration Committee.
Long-term incentive ('LTI') – at risk	Incentive for long-term shareholder value creation and assists in retention of key executives.	For the year ended 30 June 2012, an Executive Long-Term Incentive Plan (ELTIP) was introduced. The eligible participants are subject to conditions imposed which may vary from offer to offer, relating to financial performance (e.g. annual shareholder return ('ASR') and earnings per share ('EPS') growth targets) and continued engagement with Qube. With the focus of the executive remuneration framework to create a standardised structure across the Group, legacy arrangements within Qubes' subsidiaries such as the Shadow Equity and Equity Growth Bonus Plan are being phased out or terminated. (See LTI section for more information).

3. GOVERNANCE

Role of the Nomination & Remuneration committee ('N&RC')

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

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

The committee may appoint independent expert external advisers to assist it in performing its duties. The Corporate Governance Statement provides further information on the role of this committee.

4. EXECUTIVE REMUNERATION FRAMEWORK

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

The executive pay and reward framework has three components:

- fixed remuneration comprising base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives through participation in the Qube ELTIP.

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

Remuneration mix

The relative proportions of remuneration (excluding legacy long-term incentive schemes) that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk – STI	At risk – LTI
Executive directors of Qube Logistics Holdings Limited			
Maurice James	48%	24%	28%
Other key management personnel of the Group			
Paul Lewis	56%	28%	16%
Don Smithwick	62%	31%	7%
Paul Digney	60%	30%	10%

Fixed remuneration

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

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

Short-term incentives

If pre-determined annual financial (generally an EBIT measure) and non-financial targets set by the N&RC are met, short-term incentives are available to executives and other eligible participants. Cash incentives (bonuses) for senior executives are payable following the finalisation of audited annual results. Using a profit target ensures that the variable reward is only paid when value has been created for shareholders and when profit is consistent with the business plan.

Each eligible executive has a target short-term incentive opportunity depending on the accountabilities of the role and impact of their role on the organisation or business unit performance. The maximum target short-term incentive payable for the last financial year is 50% of fixed remuneration, unless otherwise determined by the N&RC.

Each year, the N&RC considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of pay out if targets are met. This includes setting any maximum pay out under the short-term incentive plan, and minimum levels of performance to trigger payment of short-term incentives.

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

The N&RC has the discretion to adjust short-term incentives in light of unexpected or unintended circumstances. The short-term incentive target payment is reviewed annually.

DIRECTORS' REPORT (CONT.)

30 JUNE 2012

REMUNERATION REPORT (CONT.)

Managing Director:			Other Key Management Personnel:		
KPI	Weighting	Measure	KPI	Weighting	Measure
Financial Performance	50%	Adjusted EBIT is a key metric used to assess operating performance	Financial Performance	23%	Adjusted EBIT is a key metric used to assess operation performance
Strategic	15%	Operational targets such as successful management of projects	Divisional Targets	27%	Delivery against defined business unit objectives
Growth	15%	Secured work in key business areas	Growth	20%	Successful completion of acquisitions and projects
People and Safety	10%	Employee engagement and delivery against defined safety objectives	Safety	13%	Delivery of improved safety performance against defined targets
Investor Relations	10%	Successful management of investors and board	Capital	7%	Utilisation and management of capital to meet growth demands
			Other	7%	Delivering inter-divisional operational synergies and business development opportunities
			Investor Relations	3%	Successful management of investors and board

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

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

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

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

Long-term incentives

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

Qube intends to issue up to a maximum of 5% of the issued capital of Qube under the ELTIP. Shares issued under the ELTIP are, except as set out below, issued on the same terms as, and rank equally with, other shares.

The Board may alter the terms of the ELTIP or their application in accordance with the Listing Rules and otherwise in accordance with the ELTIP.

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

Participation	Only those executives invited by the Board to apply are eligible to participate.
Instrument	Plan Shares (ordinary shares with vesting subject to performance conditions)
Issue price	The issue price for Plan Shares acquired is the volume weighted average price (VWAP) at which shares trade on ASX over the 20 trading days prior to the date of issue of the shares.
Performance period	5 years and 3 months after making the loan and any earlier date set by the Board at the time of offer of the Plan Shares
Shareholder approval	Shareholders approved the ELTIP at Qube's 2011 AGM. Issues of Plan Shares under the ELTIP to the Managing Director must be approved by shareholders.
Performance conditions	The performance conditions imposed may vary from offer to offer, but generally relate to financial performance and continued engagement with Qube. Presently, the financial performance criteria are based on improvements in the profitability of the company as measured by a combination of compound annual shareholder return and earnings per share growth. The Board may also determine to impose length of service conditions in order to maximise the long-term incentive benefit of the ELTIP.
Method for assessing performance	Vesting of the Plan Shares is typically subject to Qube achieving performance conditions set by the Board linked to shareholder return: For the ELTIP as at the date of this report the performance hurdles comprise: (a) a compound annual shareholder return (ASR), including share price growth and dividends (presently set at 10%), (b) a compound annual increase in the underlying earnings per share (presently set at 11%)
Vesting criteria	The Plan Shares vest in 3 tranches. Once vested, the Plan Shares may be traded subject only to the repayment of the loan referrable to those Plan Shares and Qube's Securities Trading Policy.
Lapsing and forfeiture	Plan Shares will be forfeited, or sold by the company to repay the loan if performance hurdles are not achieved, or the executive is no longer employed by Qube.
Dividends	A participant in the ELTIP is entitled to receive any dividend or distribution paid in respect of Plan Shares.
Rights and bonus issues	Participants in the ELTIP own the Plan Shares in their own right and are entitled to participate in any rights or bonus issue undertaken by Qube. Qube may, in its absolute discretion, provide a loan sufficient to meet the subscription price for a participant's entitlement to new shares on terms agreed between Qube and the participant at the time. Any Plan Shares issued under a bonus or rights issue will not be subject to any trading restrictions.
Holding lock	Qube has a holding lock on Plan Shares until they become vested and the related loan and any outstanding interest have been paid. Plan Shares subject to a holding lock are unable to be traded.
Expiry date	The loan for any Plan Share must be repaid on the earlier of: (a) the date 3 months after the Plan Share vests (subject to extension for up to 2 years) (b) the date 3 months following the termination of engagement of the executive (c) the date 5 business days after the Plan Share is sold (d) the date 5 years and 3 months after making the loan, and (e) any earlier date set by the Board at the time of offer of the Plan Shares. The loan is a limited recourse loan with the amount to be repaid limited to the lesser of the principal advanced and the price realised on sale of the Plan Share.

DIRECTORS' REPORT (CONT.)

30 JUNE 2012

REMUNERATION REPORT (CONT.)

Legacy arrangements

Prior to the completion of the Qube Restructure, Qube's two main operating businesses operated as separate companies with different shareholding structures and management teams. Accordingly, the long-term incentive arrangements for management of each company were based around the respective company's performance.

Following the completion of the Qube Restructure, and in order for the Group to achieve a consistent approach to executive remuneration, the N&RC has decided to phase out legacy long-term incentive arrangements in favour of the ELTIP in order to align all management interests with those of Qube rather than the individual divisions. However, there were two legacy long-term incentive schemes that were in operation during the 2012 financial year.

These legacy schemes comprise the Shadow Equity Plan, which will remain in place until December 2014, and the Equity Growth Bonus Plan which has now been terminated.

The key terms and conditions relating to each scheme are set out below:

Shadow Equity Plan

This scheme was offered to certain senior executives of Qube's Logistics and Ports & Bulk divisions to encourage retention of senior employees and focus on growth in the value of Qube. The scheme replaced the existing options schemes in each division when they operated as independent private companies with different corporate structures.

Under the terms of the scheme, executives have been granted an economic interest in a total of 3,081,470 Qube shares which was equal to the estimated value of the option scheme that was terminated. Subject to achieving the vesting hurdle outlined below, they will be paid a cash bonus in January 2015 equal to the value of those Qube shares at the time (adjusted for items including dividends paid (disregarding franking credits), pro-rata entitlement issues, share splits and similar transactions) from the commencement of the scheme to the payment date.

Essentially, the cash bonus should be approximately equivalent to the value that would have accrued to that employee had they owned the Qube shares for the three year period, less applicable tax.

The only vesting hurdle is that the recipient must continue to be employed by the respective business on 31 December 2014 and the relevant employer has not become entitled to terminate the recipient's employment due to adverse circumstances including serious misconduct.

Equity Growth Bonus Plan

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

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

To trigger the hurdle, the equity valuation on or prior to 31 December 2014 adjusted for new capital contributed since 30 June 2011, would have to increase by approximately $280 million in respect of Qube Logistics and in the case of Qube Ports & Bulk by $140 million from the date the relevant scheme was approved. Based on the valuation of each business as at June 2012, it was considered likely that relevant hurdles would be achieved prior to 31 December 2014.

Therefore, given the high probability of the incentive being payable in the future and to ensure that all senior executives were aligned to Qube's long-term growth rather than divisionally focused, it was decided to terminate the Equity Growth Bonus Plan based on an agreed value with management.

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

The eligible participants will receive a termination payment in the form of a cash bonus of 50% of the total amount less applicable tax, in December 2012 and December 2013.

5. LINKING REWARDS, PERFORMANCE AND STRATEGY

Performance of Qube

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

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

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

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

	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000
Revenue from sales and services	**776,818**	190,782*	n/a	n/a	n/a
Net gain/(loss) on financial instruments held at fair value through profit or loss	**–**	67,599	23,194	(20,070)	18,123
(Loss)/profit before income tax	**(1,795)**	71,351	29,913	(12,495)	26,355

* Qube Logistics (Aust) Pty Limited (formally POTA Holdings Pty Limited), consolidated from January 2011.

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Closing share price	**$1.55**	$1.56	$0.78	$0.54	$0.66
Dividend/Distribution	**4.0c**	3.8c	3.5c	4.0c	4.5c

6. EMPLOYMENT CONDITIONS

Service agreements

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

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

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

Name	Term of agreement	Fixed remuneration including superannuation*	Termination benefit**
Maurice James *Managing Director*	On-going commencing 1 September 2011	$616,000 per annum	12 months base salary
Paul Lewis *Chief financial officer and company secretary*	On-going commencing 1 September 2011	$316,000 per annum	3 months base salary
Don Smithwick *MD Ports & Bulk division*	On-going commencing 1 September 2011	$592,524 per annum	12 months base salary
Paul Digney *MD Logistics division*	On-going commencing 1 September 2011	$438,000 per annum	3 months base salary

* Base salaries quoted are for the year ended 30 June 2012; they are reviewed annually by the N&RC.

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

DIRECTORS' REPORT (CONT.)
30 JUNE 2012

REMUNERATION REPORT (CONT.)
7. NON-EXECUTIVE DIRECTORS

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

Directors' fees

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

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $675,000 per annum.

The following per annum fees have applied from 1 September 2011:

	Year	Base Fee $	Audit & Risk Management Committee $	Safety Health & Environment Committee $	Nomination & Remuneration Committee $
Chairman	2012	120,000			
Deputy Chairman	2012	90,000			
Non-executive director	2012	60,000			
Committee Chairman	2012	–	25,000	25,000	25,000
Committee Member	2012		12,500	12,500	12,500

The allocation of fees based on responsibility per non-executive director for the 10 months since corporatisation are as follows:

	Board Fees			Board Committee Fees: Audit & Risk Management		Board Committee Fees: Safety, Health & Environment		Board Committee Fees: Nomination & Remuneration			
	Chair $	Deputy Chair $	Base Director Fee $	Chair $	Member $	Chair $	Member $	Chair $	Member $	Other Fees* $	Total $
Chris Corrigan	100,110								10,428		110,538
Sam Kaplan		75,083			10,428			20,856		30,000	136,367
Ross Burney			50,055		10,428						60,483
Allan Davies			50,055			20,856					70,911
Peter Dexter			50,055	20,856			10,428				81,339
Robert Dove			50,055						10,428		60,483
Yutaka Nakagawa			50,055				10,428				60,483
Aage Holm											–
Alan Miles											–
Simon Moore											–
	100,110	75,083	250,275	20,856	20,856	20,856	20,856	20,856	20,856	30,000	580,604

* Fees earned as director of associated entities.

Retirement allowances for non-executive directors

Where appropriate, superannuation contributions required under the Australian Superannuation Guarantee Legislation form part of the directors' overall fee entitlements.

8. DIRECTORS' INTERESTS

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

	Opening balance as at 1 July 2011	Held at time of becoming a Director	Dividend reinvestment	Disposed***	Other changes	Balance as at 30 June 2012*	Balance as at date of report*
Chris Corrigan	–	15,993,553	–	–	–	15,993,553	15,993,553
Sam Kaplan	–	39,373,363**	–	3,941,667	–	35,431,696	35,431,696
Maurice James	–	1,510,000	–	–	2,360,855****	3,870,855	3,870,855
Allan Davies	–	2,595,795	–	–	–	2,595,795	2,595,795
Peter Dexter	–	175,000	–	–	–	175,000	175,000
Robert Dove	–	–	–	–	–	–	–
Ross Burney	–	–	–	–	–	–	–
Yutaka Nakagawa	–	–	–	–	–	–	–
Aage Holm	–	–	–	–	–	–	–
Alan Miles	–	5,600	–	–	–	5,600	5,600
Simon Moore	–	100,000	–	–	–	100,000	100,000

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

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

*** Off-market sales and transfers in connection with service and incentive arrangements relating to KFM implemented in connection with the Qube Restructure – 2,409,748; and off-market transfers as part of a restructure of holdings – 1,531,919.

**** Includes 2,000,000 shares issued under the 2012 ELTIP.

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

The company has not issued any options to directors.

DIRECTORS' REPORT (CONT.)
30 JUNE 2012

REMUNERATION REPORT (CONT.)

9. DETAILS OF TOTAL REMUNERATION

Total amounts of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following tables. Remuneration reflects the 10 month period since corporatisation.

Key management personnel of the Group

2012	Short-term employee benefits			Post employment benefits	Long term benefits	Equity based payments		
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super annuation $	Long service leave $	ELTIP $	Legacy schemes $	Total $
Non-executive directors								
Chris Corrigan	72,327	–	31,702	6,509	–	–	–	110,538
Sam Kaplan	127,584	–	–	8,783	–	–	–	136,367
Ross Burney	55,489	–	–	4,994	–	–	–	60,483
Allan Davies	65,056	–	–	5,855	–	–	–	70,911
Peter Dexter	74,623	–	–	6,716	–	–	–	81,339
Robert Dove	60,483	–	–	–	–	–	–	60,483
Yutaka Nakagawa	60,483	–	–	–	–	–	–	60,483
Aage Holm	–	–	–	–	–	–	–	–
Alan Miles	–	–	–	–	–	–	–	–
Simon Moore	–	–	–	–	–	–	–	–
Subtotal non-executive directors	**516,045**	**–**	**31,702**	**32,857**	**–**	**–**	**–**	**580,604**
Executive directors								
Maurice James	481,333	273,350	–	32,000	–	220,417	–	1,007,100
Other key management personnel								
Paul Lewis	250,187	150,500	2,454	13,146	24,583	55,104	–	495,974
Don Smithwick *	495,235	278,000	2,454	–	–	–	1,339,769	2,115,458
Paul Digney**	342,691	262,500	317	17,974	27,528	–	1,417,284	2,068,294
Total key management personnel compensation (Group)	**2,085,491**	**964,350**	**36,927**	**95,977**	**52,111**	**275,521**	**2,757,053**	**6,267,430**

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

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

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

Qube operated as a managed investment scheme with a Responsible Entity and an external investment manager for the year ended 30 June 2011 and up until corporatisation in September 2011. There were no fees paid to the directors of the Responsible Entity for the year ended 30 June 2011 and up until corporatisation in September 2011.

For each grant of shares issued under the 2012 ELTIP tranche, notional shares issued under the Shadow Equity Plan, or payments made under the Equity Growth Bonus plan included in the table above, the percentage of the available bonus or grant that was paid, or that vested, in the financial year is set out in the following pages. The ELTIP shares vest over three years, provided the vesting conditions are met.

Equity settled compensation

ELTIP

Qube has made two issues under the ELTIP. One on 1 September 2011 in relation to remuneration for the 2012 financial year and another on 29 June 2012 in relation to remuneration for the 2013 financial year. As the 29 June 2012 issue relates to the 2013 financial year, it does not form part of this remuneration report.

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

Grant date	Vesting date	Expiry date**	Issue price	Value per share at grant date	Target Hurdle*	Performance achieved	% Vested
			ASR increase > 10% compound				
1 Sept 2011	31 Aug 2012	30 Nov 2014	$1.3575	$0.21	$1.4933	–	–
1 Sept 2011	31 Aug 2013	30 Nov 2014	$1.3575	$0.26	$1.6426	–	–
1 Sept 2011	31 Aug 2014	30 Nov 2014	$1.3575	$0.27	$1.8068	–	–
			EPS increase > 11% compound				
1 Sept 2011	31 Aug 2013	30 Nov 2014	$1.3575	$0.20	–	–	–
1 Sept 2011	31 Aug 2014	30 Nov 2014	$1.3575	$0.17	–	–	–

* Prior to adjustment for dividends.

** Last possible vesting date.

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

Details of ELTIP shares in the company provided as remuneration to Qube Directors and key management personnel are set out below. Further information on the ELTIP scheme is set out in note 41 to the financial statements.

Name	Held at 1 July	Granted during the year	Fair value of Plan Shares granted $*	Amount expensed during the year $	Vested/ exercised during the year	Lapsed during the year	Held at 30 June**
Directors of Qube Logistics Holdings Limited							
Maurice James	–	2,000,000	$437,667	$220,417	–	–	2,000,000
Other key management personnel of the Group							
Paul Lewis	–	500,000	$109,417	$55,104	–	–	500,000
Paul Digney	–	–	–	–	–	–	–
Don Smithwick	–	–	–	–	–	–	–

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

** On 29 June 2012 the 2013 ELTIP allocation was announced for eligible senior executives. These allocations have not been included in the numbers above as they relate to remuneration for FY 13 and future financial periods. Further information on this allocation can be found in note 29 to the financial statements.

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

DIRECTORS' REPORT (CONT.)

30 JUNE 2012

REMUNERATION REPORT (CONT.)

Cash settled compensation

Legacy arrangements

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

Shadow Equity Plan

Name	Year granted	Vested %	Fair value of notional shares granted	Forfeited %	Financial years in which notional shares may vest	Amount expensed during the year $
Maurice James	2012	–	–	–	2011/2012	–
	2013	–	–	–	2013/2014	–
	2014	–	–	–	2014/2015	–
	2015	–	–	–	2011/2012	–
Paul Lewis	2012	–	–	–	2011/2012	–
	2013	–	–	–	2012/2013	–
	2014	–	–	–	2013/2014	–
	2015	–	–	–	2014/2015	–
Don Smithwick	2012	–	219,936	–	2011/2012	39,769
	2013	–	–	–	2012/2013	73,312
	2014	–	–	–	2013/2014	73,312
	2015	100	–	–	2014/2015	33,543
Paul Digney	2012	–	648,616	–	2011/2012	117,284
	2013	–	–	–	2012/2013	216,205
	2014	–	–	–	2013/2014	216,205
	2015	100	–	–	2014/2015	98,922

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

Equity Growth Bonus Plan

Name	Year vested	Vested %	Amount expensed during the year $	Year payable	Amount payable
Maurice James	2012	–	–	2012	–
	2013	–	–	2013	–
	2014	–	–	2014	–
Paul Lewis	2012	–	–	2012	–
	2013	–	–	2013	–
	2014	–	–	2014	–
Don Smithwick	2012	100	1,300,000	2012	–
	2013	–	–	2013	650,000
	2014	–	–	2014	650,000
Paul Digney	2012	100	1,300,000	2012	–
	2013	–	–	2013	650,000
	2014	–	–	2014	650,000

The Equity Growth Bonus Plan fair value granted to the individual is equivalent to the cash bonus agreed on terminating the scheme. The impact of discounting for future payments was considered insignificant.

Further information on both schemes is set out in note 41 to the financial statements.

This is the end of the Remuneration Report.

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 29 to the financial statements.

Insurance of officers

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

Indemnity of auditors

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

Proceedings on behalf of the company

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

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

Non-audit services

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

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

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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

	2012 $	2011 $
Non-audit services		
Taxation services		
PwC Australian firm:		
Tax compliance services	**57,300**	58,000
Tax consulting services	**384,075**	369,426
Total remuneration for taxation services	**441,375**	427,426
Other services		
Other services	**–**	274,399
Total remuneration for non-audit services	**441,375**	701,825

DIRECTORS' REPORT (CONT.)

30 JUNE 2012

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 39.

ROUNDING OF AMOUNTS

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

AUDITOR

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

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

Sam Kaplan
Director

SYDNEY
22 August 2012

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Qube Logistics Holdings Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

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

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
22 August 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 $'000	2011 $'000
Revenue from continuing operations			
Revenue from sales and services	4	**776,818**	190,782
Other income	5	**5,157**	87,944
		781,975	278,726
Direct transport and logistics costs		**251,824**	52,808
Repairs and maintenance costs		**34,569**	10,015
Employee benefits expense	6	**289,545**	64,060
Fuel, oil and electricity costs		**52,246**	17,412
Occupancy and property costs		**47,183**	15,579
Depreciation and amortisation expense	6	**36,215**	7,396
Professional fees		**9,754**	3,826
Refinance costs		**7,419**	–
Qube restructure termination payment	6	**40,000**	–
Trust related expenses		**274**	8,966
Other expenses		**16,205**	26,151
Results from operating activities		**(3,259)**	72,513
Finance income		**4,842**	4,853
Finance costs	6	**(16,613)**	(6,015)
Net finance costs		**(11,771)**	(1,162)
Share of net profit of associates accounted for using the equity method	37	**13,235**	–
(Loss)/Profit before income tax		**(1,795)**	71,351
Income tax (benefit)/expense	7	**(325)**	5,892
(Loss)/Profit for the year		**(1,470)**	65,459
Other comprehensive income net of tax		**–**	–
Total comprehensive (loss)/income net of tax		**(1,470)**	65,459
Total comprehensive (loss)/ income attributable to:			
Owners of Qube		**(2,525)**	61,838
Non-controlling interests		**1,055**	3,621
		(1,470)	65,459

		Cents	Cents
Earnings per share/unit for profit from continuing operations attributable to the ordinary equity holders of the Company/Trust:			
Basic earnings per share/unit	40	**–**	11.40
Diluted earnings per share/unit	40	**–**	11.40
Earnings per share/unit for profit attributable to the ordinary equity holders of the Company/Trust:			
Basic earnings per share/unit	40	**–**	11.40
Diluted earnings per share/unit	40	**–**	11.40

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**118,565**	78,860
Trade and other receivables	9	**141,823**	63,585
Inventories	10	**3,604**	2,032
Financial assets at fair value through profit or loss	11	**996**	7,559
Current tax receivable		**2,903**	–
Total current assets		**267,891**	152,036
Non-current assets			
Trade and other receivables	13	**4,002**	4,002
Financial assets at fair value through profit or loss	11	**–**	398,908
Investments accounted for using the equity method	14	**182,763**	–
Property, plant and equipment	15	**362,933**	121,302
Investment properties	16	**279,400**	–
Deferred tax assets	17	**22,811**	6,098
Intangible assets	18	**599,703**	198,424
Other assets		**1,395**	–
Total non-current assets		**1,453,007**	728,734
Total assets		**1,720,898**	880,770
LIABILITIES			
Current liabilities			
Trade and other payables	19	**94,505**	37,243
Borrowings	20	**19,306**	7,583
Derivative financial instruments	12	**2,662**	43
Provisions	21	**38,226**	30,199
Total current liabilities		**154,699**	75,068
Non-current liabilities			
Trade and other payables	19	**18,523**	–
Borrowings	22	**423,864**	103,099
Deferred tax liabilities	23	**23,403**	9,492
Provisions	24	**9,169**	6,724
Total non-current liabilities		**474,959**	119,315
Total liabilities		**629,658**	194,383
Net assets		**1,091,240**	686,387
EQUITY			
Contributed equity	25	**1,019,583**	583,907
Reserves	26(a)	**(34,138)**	20,589
Retained earnings	26(b)	**27,903**	63,299
Capital and reserves attributable to owners of Qube		**1,013,348**	667,795
Non-controlling interests	27	**77,892**	18,592
Total equity		**1,091,240**	686,387

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

		Attributable to owners of Qube					
	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2010		427,165	–	16,806	443,971	–	443,971
Profit for the year as reported in the 2011 financial statements		–	–	61,838	61,838	3,621	65,459
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		–	–	61,838	61,838	3,621	65,459
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs		156,742	–	–	156,742	–	156,742
Dividends/distributions provided for or paid	28	–	–	(17,568)	(17,568)	(877)	(18,445)
Equity acquired by non-controlling interests		–	–	–	–	4,002	4,002
Non-controlling interests recognised on obtaining control of subsidiary		–	–	–	–	54,390	54,390
Fair value adjustment on acquisition of non-controlling interest		–	28,436	–	28,436	–	28,436
Non-controlling interests acquired		–	(7,847)	2,223	(5,624)	(42,544)	(48,168)
	25	156,742	20,589	(15,345)	161,986	14,971	176,957
Balance at 30 June 2011		583,907	20,589	63,299	667,795	18,592	686,387
(Loss)/profit for the year		–	–	(2,525)	(2,525)	1,055	(1,470)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive(loss)/ income for the year		**–**	**–**	**(2,525)**	**(2,525)**	**1,055**	**(1,470)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		412,220	–	–	412,220	–	412,220
Acquisition of options from management of subsidiaries	26	–	(8,751)	–	(8,751)	–	(8,751)
Transactions with non-controlling interests	26	–	(22,950)	–	(22,950)	(19,682)	(42,632)
Non-controlling interests acquired		–	–	–	–	77,927	77,927
Dividends/distributions provided for or paid	28	–	–	(32,871)	(32,871)	–	(32,871)
Employee share scheme		23,456	(23,026)	–	430	–	430
	25	435,676	(54,727)	(32,871)	348,078	58,245	406,323
Balance at 30 June 2012		**1,019,583**	**(34,138)**	**27,903**	**1,013,348**	**77,892**	**1,091,240**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**833,718**	220,048
Payments to suppliers and employees (inclusive of goods and services tax)		**(754,256)**	(211,712)
		79,462	8,336
Payments for financial assets at fair value through profit or loss		**–**	(6,468)
Proceeds from disposal of financial assets at fair value through profit or loss		**6,459**	13,318
Loans advanced to associates		**–**	(5,989)
Repayment of loans from associates		**–**	7,500
Dividends and distributions received		**17,083**	15,024
Interest received		**5,031**	4,905
Other revenue		**1,119**	60
Interest paid		**(15,557)**	(5,898)
Income taxes paid		**(20,700)**	(4,521)
Fees paid to Kaplan Funds Management Pty Limited		**(19,728)**	–
Net cash inflow/(outflow) from operating activities	39	**53,169**	26,267
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	34	**(199,211)**	(2,952)
Payments for property, plant and equipment	15	**(77,751)**	(8,022)
Payments for additional investment in associates		**(2,563)**	–
Payments for asset acquisitions		**(9,782)**	–
Assets acquired though asset acquisitions		**10,160**	–
Loans to related parties		**(50)**	–
Proceeds from sale of property, plant and equipment		**1,207**	294
Payments for non-controlling interests		**(13,317)**	–
Net cash/(outflow) inflow from investing activities		**(291,307)**	(10,680)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**83,827**	151,992
Proceeds from borrowings		**438,288**	10,000
Repayment of borrowings		**(201,345)**	(3,400)
Finance lease payments		**(13,832)**	(2,453)
Transactions with non-controlling interests		**–**	(102,005)
Dividends/distributions paid to company's shareholders		**(28,756)**	(13,150)
Dividends/distributions paid to non-controlling interests in subsidiaries		**(339)**	(877)
Net cash inflow/(outflow) from financing activities		**277,843**	40,107
Net increase/(decrease) in cash and cash equivalents		**39,705**	55,694
Cash and cash equivalents at the beginning of the financial year		**78,860**	23,166
Cash and cash equivalents at end of year	8	**118,565**	78,860
Non-cash investing and financing items	39(a)	**261,432**	4,418

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

On 30 August 2011, Qube Logistics Trust ('Qube Trust') restructured from a trust to a company whereby unitholders were given one ordinary share in the company for each unit they held in the Qube Trust immediately prior to the restructure. This resulted in Qube acquiring 100% of the units in Qube Trust.

The Qube corporatisation, internalisation of management, acquisitions and ancillary transactions referred to as the "Qube Restructure" as set out in the unitholder booklet and prospectus dated 12 July 2011 was approved by unitholders on 18 August 2011. The Corporatisation was completed on 30 August 2011, the internalisation of management was implemented on 31 August 2011 and the acquisitions finalised on 1 September 2011.

Corporatisation comprised the interposition of a new holding company, Qube Logistics Holdings Limited, between existing unitholders and the Qube Trust.

Since there was no change to the reporting entity, the consolidated financial statements of Qube have been prepared as a continuation of Qube Trust and combine the consolidated financial statements of a managed investment scheme for the two months to 31 August 2011 and the Company from 1 September 2011. The primary impact of this is that, as a corporate entity, Qube no longer accounts for its investments in associate entities on the basis of fair value taking the gain or loss through the income statement, but rather equity accounts its share of the associates' profit after tax and reserves.

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) Historical cost convention

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

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(vi) Comparative information – change in presentation.

The comparative information from 1 July 2010 to 30 June 2011 presented in the consolidated financial statements is that of Qube Trust which was a managed investment scheme fair valuing its investments in associates. Changes resulting from the Qube Restructure such as the reporting basis (noted above) and the acquisitions mean that the prior year figures are not comparable to the operations, assets and liabilities for the current year.

The Company has also decided in the current year to change the classification of its major expense items in the statement of comprehensive income. The comparative information has been reclassified accordingly and there is no change to the net result.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Qube Logistics Holdings Limited ('Company" or ''parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Qube Logistics Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(i)).

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

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 37).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) Principles of consolidation (cont.)

(ii) Associates (cont.)

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

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

(iii) Changes in ownership interests

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

(e) Revenue recognition

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

(i) Provision of services

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

(ii) Storage

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

(iii) Asset sales

The gain or loss on disposal of assets is recognised when an unconditional contract of sale is signed.

(iv) Interest income

Interest income is recognised in the statement of comprehensive income for all debt instruments using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the statement of comprehensive income. Other changes in fair value for such instruments are recorded in accordance with the polices described in note 1(n).

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

(vi) Dividends

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

Trust distributions are recognised on a present entitlement basis.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(g) Income tax

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

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

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

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

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

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

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

(h) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 32). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straightline basis over the period of the lease.

Lease income from operating leases, where the Group is the lessor is recognised in other income on a straightline basis over the lease term (note 16 (e)).

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests's proportionate share of the acquiree's net identifiable assets.

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

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

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

(j) Impairment of assets

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

(k) Cash and cash equivalents

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

(l) Trade receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 1(e).

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(l) Trade receivables (cont.)

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(m) Inventories

(i) Inventories on hand

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

(n) Investments and other financial assets

Classification

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

- Financial instruments held for trading:

These include derivative financial instruments such as options. Qube does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition:

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded equity instruments, unlisted trusts and unlisted equity instruments.

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which Qube commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially brought to account at fair value and transaction costs expensed through profit and loss. Subsequent to initial recognition, the financial assets at fair value through profit or loss were measured at fair value with changes in their fair value recognised in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Investments have been brought to account by the Group as follows:

- Interests in listed securities in companies and trusts

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

- Interests in unlisted securities in companies and trusts

Up until the Qube Restructure interests in unlisted companies were brought to account at fair value, determined using valuation techniques adopted by Qube's Responsible Entity in consultation with Qube's Manager. The fair values of the unlisted investments were based on an internal valuation or independent valuation (which was undertaken at least annually).

Where for a particular six monthly reporting period, the most recent annual independent valuation was determined not to reflect the fair value of the investments, the fair value was determined based on a comparison of Qube's relevant unlisted investment with the valuation implicit in recent arm's length market transactions that were comparable to Qube's investment. In the absence of any recent comparable arm's length market transactions, the discounted cash flow valuation analysis was utilised.

Discounted cash flow is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset comprises the risk free interest rate appropriate to where the asset is located and a risk premium, reflecting the uncertainty associated with the cash flows.

Interest, dividends and other distributions received from investments brought to account at fair value are recognised in profit or loss when entitled.

Measurement

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

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.

(o) Derivatives

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

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

(p) Property, plant and equipment

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

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

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

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

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

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

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

(q) Investment properties

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

(r) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(i). Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 3).

(ii) Operating rights

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

(iii) Customer contracts

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

(s) Trade and other payables

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

(t) Borrowings

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

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

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

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

(u) Borrowing costs

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

(v) Provisions

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

(w) Employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(w) Employee benefits (cont.)

(ii) Long-service leave

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

(iii) Superannuation

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

(iv) Bonus plans

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

(v) Employee benefit on-cost

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

(vi) Share-based payments

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

The shadow equity plan includes a service based hurdle, and the equity growth bonus plan was performance based. The fair value of the incentives under each scheme is expensed to the profit or loss over the period over which the employee incentive is applicable.

(x) Contributed equity

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

(y) Dividends

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

(z) Earnings per share/unit

(i) Basic earnings per share/unit

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

(ii) Diluted earnings per share/unit

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

(aa) Goods and Services Tax (GST)

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

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

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

(ab) Rounding of amounts

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

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

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

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

This standard will not have any impact on the Group's financial statements.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. This standard will not have any impact on the Group's financial statements.

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

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

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

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

(iii) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

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

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of this new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(ad) Parent entity financial information

The financial information for the parent entity disclosed in note 43 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

(iii) Financial guarantees

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(ad) Parent entity financial information (cont.)

(iv) Share-based payments

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

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

(iii) Estimated fair values of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations at least every two years or as otherwise required. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in note 16.

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

The Group has undertaken a valuation of its investments accounted for using the equity method based on its proportionate ownership of these businesses, adjusted for other considerations including any applicable marketability or minority interest discount. The recoverable amount of each investment is determined using a discounted cash flow model. The general valuation assumptions include a risk free rate of 3.05% and a market risk premium of 7.0%.

3. 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 and international freight forwarding.

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 non-containerised freight, with a major focus on automotive, bulk and break bulk products.

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

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

Strategic Assets

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

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

All other segments

Corporate head office is not considered a reportable segment, as it is not included as a distinct segment in the reports provided to the Board. Therefore its results are included in the 'all other segments' column.

(b) Segment information provided to the Board

Qube's Board assesses the performance of the operating segments on a measure of Pro-forma and Pro-forma Proportionate Revenue and EBITDA which is allocated into segments as follows:

2012	Logistics $'000	Ports & Bulk $'000	Strategic Assets $'000	All other segments $'000	Total $'000
Revenue from external customers	**476,758**	**301,756**	**5,006**	**(1,545)**	**781,975**
Pro-forma adjustments	–	51,573	1,635	1,545	54,753
Pro-forma revenue	**476,758**	**353,329**	**6,641**	**–**	**836,728**
Proportional share of associates revenue	11,586	88,454	5,931	–	105,971
Proportional Pro-forma Revenue	**488,344**	**441,783**	**12,572**	**–**	**942,699**

Pro-forma and Pro-forma Proportional revenue is determined as follows:

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

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

Pro-forma Proportional Revenue is Pro-forma Revenue adjusted to include the 12 month proportional revenue contribution from Qube's associates and MIPT.

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

	Logistics $'000	Ports & Bulk $'000	Strategic Assets $'000	All other segments $'000	Total $'000
Net profit/(loss) before income tax	23,212	35,490	(5,213)	(55,284)	(1,795)
Share of profit of associates	(273)	(12,519)	(443)	–	(13,235)
Interest income	(457)	(362)	(260)	(3,763)	(4,842)
Interest expense	8,561	5,537	4,687	(2,172)	16,613
Depreciation & amortisation	20,440	15,364	411	–	36,215
EBITDA	**51,483**	**43,510**	**(818)**	**(61,219)**	**32,956**
Fair value of derivatives	–	–	1,226	1,586	2,812
Fair value adjustments (net)	–	–	255	–	255
Non-recurring Qube restructure items (excluding stamp duty)	–	–	–	42,757	42,757
Legacy share-based payments	5,857	2,756	–	–	8,613
Refinance costs	353	281	–	6,785	7,419
Stamp duty	1,640	1,500	4,454	2,713	10,307
Adjusted EBITDA	**59,333**	**48,047**	**5,117**	**(7,378)**	**105,119**
Pro-forma adjustments	–	7,717	(14)	(122)	7,581
Pro-forma EBITDA	**59,333**	**55,764**	**5,103**	**(7,500)**	**112,700**
Proportional share of Associates EBITDA	583	28,389	4,061	–	33,033
Pro-forma Proportional EBITDA	**59,916**	**84,153**	**9,164**	**(7,500)**	**145,733**
Total assets includes:					
Additions to non-current assets(other than financial assets and deferred tax)	82,241	403,072	–	13	485,326
Investments in associates	1,888	180,875	–	–	182,763
Total segment assets	513,486	811,798	291,677	103,937	1,720,898
Total segment liabilities	85,452	128,880	75,276	340,050	629,658

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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3. SEGMENT INFORMATION (CONT.)

Pro-forma EBITDA is Adjusted EBITDA amended to:

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

Pro-forma Proportional EBITDA is Pro-forma EBITDA adjusted to include the 12 month proportional EBITDA contribution from Qube's associates and MIPT.

2011	Logistics $'000	Ports & Bulk $'000	Strategic Assets $'000	All other segments $'000	Total $'000
Revenue from external customers	**211,441**	**60,897**	**4,317**	**2,071**	**278,726**
Pro-forma adjustments	143,600	200,518	847	(2,071)	342,894
Pro-forma revenue	**355,041**	**261,415**	**5,164**	**–**	**621,620**
Pro-forma share of associates revenue	–	74,058	6,469	–	80,527
Pro-forma Proportional Revenue	**355,041**	**335,473**	**11,633**	**–**	**702,147**

A reconciliation of Proportional Pro-forma EBITDA to (loss)/profit after income tax is as follows:

	Logistics $'000	Ports & Bulk $'000	Strategic Assets $'000	All other segments $'000	Total $'000
Net profit/(loss) before income tax	**33,337**	**60,915**	**99**	**(23,000)**	**71,351**
Share of profit of associates	–	–	–	–	–
Interest income	(1,096)	(79)	(131)	(3,547)	(4,853)
Interest expense	2,321	–	3,694	–	6,015
Depreciation and amortisation	6,985	–	411	–	7,396
EBITDA	**41,547**	**60,836**	**4,073**	**(26,547)**	**79,909**
Fair value adjustments	(17,814)	(49,457)	890	(1,218)	(67,599)
Adjusted EBITDA	**23,733**	**11,379**	**4,963**	**(27,765)**	**12,310**
Pro-forma adjustments	17,280	24,337	(768)	16,562	57,411
Pro-forma EBITDA	**41,013**	**35,716**	**4,195**	**(11,203)**	**69,721**
Proportional share of Associates EBITDA	–	23,199	4,651	–	27,850
Pro-forma Proportional EBITDA	**41,013**	**58,915**	**8,846**	**(11,203)**	**97,571**
Total assets includes:					
Investments in associates	–	–	–	–	–
Total segment assets	412,671	308,623	101,734	57,742	880,770
Total segment liabilities	117,536	15	48,320	28,512	194,383

(i) Segment assets

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

(ii) Segment liabilities

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

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

4. REVENUE

	2012 $'000	2011 $'000
From continuing operations		
Sales revenue		
Transport and logistics services rendered	**776,818**	190,782
	776,818	190,782

5. OTHER INCOME

	Notes	2012 $'000	2011 $'000
Net gain on disposal of property, plant and equipment		**412**	62
Fair value gains/(losses) on financial liabilities at fair value through profit or loss		**(2,812)**	67,599
Fair value losses on investment property	16	**(4,182)**	–
Management fees		**210**	–
Dividend and distribution income		**902**	20,146
Gain realised on acquisition of subsidiary		**3,927**	–
Rental and property related income		**6,686**	–
Other		**14**	137
		5,157	87,944

6. EXPENSES

	2012 $'000	2011 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**109**	–
Plant and equipment	**26,058**	5,645
Leasehold improvements	**3,752**	1,340
Total depreciation	**29,919**	6,985
Amortisation		
Customer contracts	**5,885**	–
Operating rights	**411**	411
Total amortisation	**6,296**	411
Depreciation and amortisation expense	**36,215**	7,396
Finance expenses		
Interest and finance charges paid/payable:		
Related corporations	**–**	475
Other persons	**12,174**	5,540
Less: interest costs capitalised during the year	**(317)**	–
Finance lease charges expensed	**4,756**	–
Finance costs expensed	**16,613**	6,015
Rental expense relating to operating leases		
Property	**36,070**	11,900
Motor vehicles	**1,410**	4,196
Plant and equipment	**41,617**	14,474
Total rental expense relating to operating leases	**79,097**	30,570
Employee benefits expense		
Defined contribution superannuation expenses	**17,102**	3,580
Share-based payment expenses	**9,043**	–
Other employee benefits expense	**263,400**	60,480
Total employee benefits expenses	**289,545**	64,060
Restructure costs		
Qube restructure termination payment	**40,000**	–
Stamp duty costs	**10,307**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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7. INCOME TAX EXPENSE

	2012 $'000	2011 $'000
(a) Income tax (benefit)/expense:		
Current tax	**11,601**	2,098
Deferred tax assets	**7,706**	(8,644)
Deferred tax liabilities	**(19,632)**	12,438
	(325)	**5,892**
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 17)	**7,706**	(8,644)
(Decrease)/increase in deferred tax liabilities (note 23)	**(19,632)**	12,438
	(11,926)	3,794
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss/(profit) before income tax expense	**(1,795)**	71,351
Tax at the Australian tax rate of 30% (2011 – 30%)	**(538)**	21,405
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Rebatable dividends	**(20)**	(4,385)
Share-based payments	**129**	(2,397)
Distribution adjustment	**1,266**	–
Reversal of deferred tax liability on unrealised gains for unlisted investments	**(25,291)**	(8,774)
Non-assessable equity accounted profit	**(3,970)**	–
Reset of tax cost bases for property plant and equipment	**9,098**	–
Capital losses derecognised	**8,839**	–
Non-deductible portion of termination fee	**9,600**	–
Sundry items	**562**	43
Income tax (benefit)/expense:	**(325)**	5,892
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax – credited directly to equity (note 25(b))	**–**	–
Net deferred tax – debited (credited) directly to equity (note 17)	**(368)**	(318)
	(368)	(318)

8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Cash at bank and on hand	**67,697**	18,546
Short-term deposits	**50,868**	60,314
	118,565	78,860
(a) Reconciliation to cash at the end of the year		
The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:		
Balances as above	**118,565**	78,860
Balances per consolidated statement of cash flows	**118,565**	78,860

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 42. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Trade receivables	**119,209**	53,576
Provision for impairment of receivables (a)	**(2,033)**	(1,162)
	117,176	52,414
Prepayments	**10,791**	5,737
Accrued revenue	**11,755**	4,373
Other	**2,101**	1,061
	141,823	63,585

(a) Impaired trade receivables

As at 30 June 2012 current trade receivables of the Group with a nominal value of $1,751,000 (2011 – $250,000) were impaired. The amount of the provision was $2,033,000 (2011 – $1,162,000). The individually impaired receivables are mainly the result of a difficult global and domestic environment that has impacted Qube's customers.

The ageing of these receivables is as follows:

	2012 $'000	2011 $'000
Up to 3 months	**–**	–
3 months and greater	**1,751**	250
	1,751	250

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

	2012 $'000	2011 $'000
At 1 July	**(1,162)**	–
Provision for impairment recognised during the year	**(1,337)**	(194)
Receivables written off during the year as uncollectible	**1,149**	145
Provisions acquired as part of an acquisition	**(683)**	(1,113)
	(2,033)	(1,162)

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

(b) Past due but not impaired

As at 30 June 2012, trade receivables of $35,995,000 (2011 – $912,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2012 $'000	2011 $'000
Up to 3 months	**32,697**	–
3 months and greater	**3,298**	912
	35,995	912

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

(c) Fair value and credit risk

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

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 42 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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10. CURRENT ASSETS – INVENTORIES

	2012 $'000	2011 $'000
At cost		
Fuel	**428**	361
Steel strapping	**44**	302
Containers	**1,598**	1,339
Spare parts and other inventory	**1,534**	30
	3,604	2,032

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2012 amounted to $27,550,000 (2011 $14,090,000 which was for a 6 month period).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2012 amounted to $Nil (2011 $Nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2012 $'000	2011 $'000
Current assets		
Australian listed securities	**996**	7,559
Non-current assets		
Unlisted logistics investments	**–**	398,908

As a result of the change in conditions arising from the Qube Restructure, Qube no longer accounts for its logistics investments on the basis of fair value but rather as subsidiaries or equity accounts its share of the associates' profit after tax and reserves. Therefore, these investments have been reclassified from financial assets at fair value through profit or loss to either subsidiaries or equity accounted investments.

	Unlisted logistics investments $'000
Opening balance 1 July 2011	**398,908**
Reclassified as equity accounted investments	**(222,418)**
Reclassified as investment property	**(19,432)**
Derecognised on acquisition of subsidiaries	**(157,058)**
Closing balance 30 June 2012	**–**

(a) Risk exposure and fair value measurements

Information about the Group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 42.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $'000	2011 $'000
Current liabilities		
Interest rate swap contracts – a(i)	**2,662**	–
Exchange traded options– a(ii)	**–**	43
Total current derivative financial instrument liabilities	**2,662**	43

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 42).

(i) Interest rate swap contracts
Bank loans of the Group currently bear an average variable interest rate of 7.1% including line fees. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 41.0% (2011 – 21.4%) of the variable loan principal outstanding with a weighted average base rate of 4.4%.

(ii) Exchange traded options – held for trading
In the prior year, the Group had entered into option contracts. An option contract is a contractual arrangements under which the seller (writer) grants the purchaser (holder) the right but not the obligation, either to buy or sell at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price.

(b) Risk exposures and fair value measurements

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

13. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Loans to employees	**4,002**	4,002

Further information relating to loans and those provided under the ELTIP to related parties and key management personnel are set out in notes 33 and 29 respectively.

(a) Impaired receivables and receivables past due

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

(b) Fair values

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

	2012		2011	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Loans to employees	**4,002**	**4,002**	4,002	4,002

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

(c) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 42. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of receivables mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

14. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2012 $'000	2011 $'000
Investments in associates (note 37)	**182,763**	–

15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2010				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net book amount	–	–	–	–
Year ended 30 June 2011				
Opening net book amount	–	–	–	–
Acquisition of subsidiary	–	79,423	41,074	120,497
Additions	–	5,401	2,621	8,022
Disposals	–	(232)	–	(232)
Depreciation charge	–	(5,645)	(1,340)	(6,985)
Closing net book amount	–	78,947	42,355	121,302
At 30 June 2011				
Cost	–	84,592	43,695	128,287
Accumulated depreciation	–	(5,645)	(1,340)	(6,985)
Net book amount	–	78,947	42,355	121,302
Year ended 30 June 2012				
Opening net book amount	–	78,947	42,355	121,302
Acquisition of subsidiary	22,021	144,516	28,056	194,593
Additions	4,465	68,255	5,031	77,751
Disposals	–	(794)	–	(794)
Depreciation charge	(109)	(26,058)	(3,752)	(29,919)
Closing net book amount	**26,377**	**264,866**	**71,690**	**362,933**
At 30 June 2012				
Cost or fair value	26,486	297,363	76,782	400,631
Accumulated depreciation	(109)	(32,497)	(5,092)	(37,698)
Net book amount	**26,377**	**264,866**	**71,690**	**362,933**

(a) Leased assets

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

	2012 $'000	2011 $'000
Leased equipment		
Cost	**85,462**	32,956
Accumulated depreciation	**(25,316)**	(11,226)
Net book amount	**60,146**	21,730

(b) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

16. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	2012 $'000	2011 $'000
At Fair value		
Opening balance at 1 July	–	–
Acquisition of subsidiaries	282,158	–
Capitalised subsequent expenditure	1,424	–
Net gain/(loss) from fair value adjustment	(4,182)	–
Closing balance at 30 June	279,400	–
(a) Amounts recognised in profit or loss for investment properties		
Rental income	6,260	–
Direct operating expenses from property that generated rental income	(1,162)	–
Direct operating expenses from property that did not generate rental income	(132)	–

(b) Valuation basis

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

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

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

(ii) discounted cash flow projections based on reliable estimates of future cash flows

(iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The investment property held by the Group at Moorebank is leased to the Commonwealth of Australia (Department of Defence) (the "Tenant"), who occupies 100% of the property. The Tenant's current lease expires on 25 March 2013 and they have two options, they can either extend the lease by 5 years or vacate the premises. As of the date of this report, the option to extend the lease has not been formally exercised.

Based on discussions with the Tenant to date, management have concluded there is reasonable grounds to believe the tenant will exercise the 5 year lease option and therefore have adopted a property valuation at 30 June 2012 that reflects this outcome.

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

	2012 %	2011 %
Discount rate	9.8 – 10.0	–
Terminal yield	6.2 – 10.7	–
Capitalisation rate	8.5 – 9.3	7.0 – 9.7
Rental growth rate	2.8 – 3.0	–

All of the above key assumptions have been taken from the last independent valuation report for the assets in the portfolio.

(c) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

(d) Contractual obligations

Refer to note 32 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

16. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONT.)

(e) Leasing arrangements

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

	2012 $'000	2011 $'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	**16,657**	–
Later than one year but not later than 5 years	**4,649**	–
Later than 5 years	**–**	–
	21,306	–

17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

	2012 $'000	2011 $'000
Employee benefits	**13,300**	3,935
Plant and equipment	**450**	498
Tax losses	**1,355**	3,115
Capital losses	**–**	8,102
Other provisions	**7,706**	7,817
Total deferred tax assets	**22,811**	23,467
Set-off of deferred tax liabilities pursuant to set-off provisions (note 23)	**–**	(17,369)
Net deferred tax assets	**22,811**	6,098
Deferred tax assets expected to be recovered within 12 months	**13,963**	17,921
Deferred tax assets expected to be recovered after more than 12 months	**8,848**	5,546
	22,811	23,467

Movements	Employee benefits $'000	Plant and equipment $'000	Tax losses $'000	Capital losses $'000	Other $'000	Total $'000
At 1 July 2010	–	–	1,989	6,807	291	9,087
(Charged)/credited						
– to profit or loss	619	124	1,126	1,295	5,480	8,644
– directly to equity	–	–	–	–	(318)	(318)
Acquisition of subsidiary	3,316	374	–	–	2,364	6,054
At 30 June 2011	3,935	498	3,115	8,102	7,817	23,467
(Charged)/credited						
– to profit or loss	2,196	(48)	(1,760)	(8,102)	8	(7,706)
– directly to equity	–	–	–	–	(368)	(368)
Acquisition of subsidiary	7,169	–	–	–	249	7,418
At 30 June 2012	**13,300**	**450**	**1,355**	**–**	**7,706**	**22,811**

18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill $'000	Operating rights $'000	Customer contracts $'000	Total $'000
At 1 July 2010				
Cost	1,889	7,609	–	9,498
Accumulated amortisation and impairment	–	(446)	–	(446)
Net book amount	1,889	7,163	–	9,052
Year ended 30 June 2011				
Opening net book amount	1,889	7,163	–	9,052
Additions – acquisition	189,783	–	–	189,783
Amortisation charge	–	(411)	–	(411)
Closing net book amount	191,672	6,752	–	198,424
At 30 June 2011				
Cost	191,672	7,609	–	199,281
Accumulated amortisation and impairment	–	(857)	–	(857)
Net book amount	191,672	6,752	–	198,424
Year ended 30 June 2012				
Opening net book amount	191,672	6,752	–	198,424
Finalisation of acquisition accounting	(14,275)	–	18,500	4,225
Acquisition of business	373,050	–	30,300	403,350
Amortisation charge	–	(411)	(5,885)	(6,296)
Closing net book amount	**550,447**	**6,341**	**42,915**	**599,703**
At 30 June 2012				
Cost	550,447	7,609	48,800	606,856
Accumulated amortisation and impairment	–	(1,268)	(5,885)	(7,153)
Net book amount	**550,447**	**6,341**	**42,915**	**599,703**

Goodwill relates to:

(i) the acquisition of Kaplan Equity Limited in May 2010

(ii) obtaining control of Qube Logistics (Aust) Pty Limited ('Qube Logistics') (formally known as POTA Holdings Pty Limited) in January 2011

(iii) the acquisition of Qube Logistics (QldT) Pty Ltd (formally known as Troncs Transport Solutions) in January 2011 by Qube Logistics.

(iv) Qube Logistics' acquisition of Mackenzie Intermodal in July 2011

(v) the acquisition of a controlling interest in Qube Ports Pty Limited ('Qube Ports & Bulk') (formally known as POAGS Pty Limited) in September 2011

(vi) Qube Logistics' acquisition of the assets of Westgate Ports at Victoria Dock, Melbourne, in March 2012 and

(vii) Qube Ports & Bulk's acquisition of Giacci in March 2012.

Amortisation of $6,296,000 (2011 – $411,000) is included in depreciation and amortisation expense in profit or loss.

(a) Impairment tests for goodwill

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

	2012 $'000	2011 $'000
Logistics	**207,308**	190,518
Ports & Bulk	**343,139**	1,154
	550,447	191,672

The recoverable amount of a CGU is determined based on value-in-use calculations, using cash flow projections based on financial budgets and forecasts prepared by management typically covering a three year period. Cash flows beyond a 3 year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business for which the CGU operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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18. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONT.)

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

The CGU cash flow projections used for impairment testing assume no material adverse change to economic conditions for 2013 to 2015. These projections have been revisited as at year end and compared to actual results for the same period. No significant variances were noted. On this basis, no changes to the underlying models and assumptions have been made.

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

	Growth rate		Discount rate	
CGU	2012 %	2011 %	2012 %	2011 %
Logistics	**3-4**	3-4	**12**	12-13
Ports & Bulk	**2-4**	3-4	**10-12**	12-13

(c) Impact of possible changes in key assumptions

The base case discount rate used in the impairment testing of goodwill for each CGU where goodwill has been identified ranged from 10% to 12%. If the discount rate increased by 1% or EBITDA margin reduced by 10% in each year of the valuation it would not result in an impairment of goodwill.

19. TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Current:		
Trade payables and accruals	**82,420**	36,394
Share-based compensation payable (refer note 41)	**3,900**	–
Deferred consideration (refer note 34)	**5,420**	–
Investment manager fees payable	**–**	849
GST payable	**2,765**	–
	94,505	37,243
Non-current:		
Share-based compensation payable (refer note 41)	**4,713**	–
Deferred consideration (refer note 34)	**13,810**	–
	18,523	–

20. CURRENT LIABILITIES – BORROWINGS

	2012 $'000	2011 $'000
Secured		
Lease liabilities (note 32)	**19,306**	7,583
Total secured current borrowings	**19,306**	7,583

(a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 22.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 42.

21. CURRENT LIABILITIES – PROVISIONS

	2012 $'000	2011 $'000
Employee benefits	**36,628**	11,312
Onerous contract (property lease)	**1,249**	1,470
Provision for distribution	**349**	–
Performance fee (c)	**–**	17,417
	38,226	30,199

(a) Movements in provisions

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

2012	Onerous contract $'000	Provision for distribution $'000	Performance fee $'000	Total $'000
Current				
Carrying amount at start of year	1,470	–	17,417	18,887
Charged/(credited) to profit or loss	–	–	–	–
– additional provisions recognised	–	349	–	349
Transferred from non-current provision	816	–	–	816
Amounts used during the year	(1,037)	–	(17,417)	(18,454)
Carrying amount at end of year	**1,249**	**349**	**–**	**1,598**

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

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

	2012 $'000	2011 $'000
Leave obligations expected to be settled after 12 months	**15,041**	–

(c) Performance fee

Prior to the Qube Restructure, Qube was a managed investment scheme. In accordance with the terms of the management agreement, the manager was entitled to a performance fee if it outperformed a benchmark return. This was assessed after the end of each financial year based on the performance for the financial year ended 30 June. A provision was raised in the accounts of $17.4 million (excluding GST) based on the performance for the year to 30 June 2011. The manager took up 50% of this fee in the form of shares in the new corporatised Qube entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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22. NON-CURRENT LIABILITIES – BORROWINGS

	2012 $'000	2011 $'000
Unsecured		
Bank loans	**311,588**	–
Secured		
Bank loans	**73,147**	93,305
Lease liabilities (note 32)	**39,129**	9,794
Total non-current borrowings	**423,864**	103,099
(a) Secured liabilities and assets pledged as security		
The total secured liabilities (current and non-current) are as follows:		
Bank loan	**73,147**	93,305
Lease liabilities	**58,435**	17,377
Total secured liabilities	**131,582**	110,682

During the current financial year, the Group put in place a $550 million syndicated debt facility which includes term, revolver and multi-option facility tranches. The facility is unsecured, non-amortising and has a term of 4 years expiring on 31 May 2016.

The Group has also put in place a $25 million non-amortising debt facility in relation to the properties it owns at Minto NSW. The facility is secured by first ranking mortgages over the Minto properties and expires in August 2013.

The Group has partially funded its investment in MIPT through a $48.2 million (30 June 2011: $48.2 million) 3 year bullet non-revolving cash advance facility which expires in December 2013. The facility is secured by fixed and floating charges over the assets of KIL Property Investments Pty Limited (KPI) and KFM Property Logistics 1 Pty Limited (KPL). In addition Qube has guaranteed the obligations of KPI and KPL under this facility.

In the prior year, bank loans totalling $45 million were secured by fixed and floating charges over the assets of the Logistics division.

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

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

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

	2012 $'000	2011 $'000
Current		
Floating charge		
Cash and cash equivalents	**4,938**	4,046
Receivables	**2**	56,825
Total current assets pledged as security	**4,940**	60,871
Non-current		
First mortgage		
Financial assets at fair value through profit and loss	**–**	92,182
Investment in Moorebank Industrial Property Trust	**69,926**	–
Investment properties	**45,400**	–
	115,326	92,182
Finance lease		
Plant and equipment	**60,146**	21,730
Floating charge		
Receivables – non-current	**–**	5,079
Plant and equipment	**–**	100,443
	–	105,522
Total non-current assets pledged as security	**175,472**	219,434
Total assets pledged as security	**180,412**	280,305

(b) Fair value

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

	2012		2011	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**384,735**	**384,735**	93,305	93,305
Lease liabilities	**58,435**	**58,435**	17,377	17,028
Traded financial liabilities				
Interest rate swaps	**2,662**	**2,662**	–	–
Traded options	**–**	**–**	43	43
	445,832	**445,832**	110,725	110,376

(c) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 42.

23. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**10,008**	–
Intangible assets	**12,875**	–
Financial assets at fair value through profit or loss	**19**	26,861
Other provisions	**501**	–
	23,403	26,861
Set-off of deferred tax liabilities pursuant to set-off provisions (note 17)	**–**	(17,369)
Net deferred tax liabilities	**23,403**	9,492
Deferred tax liabilities expected to be settled within 12 months	**116**	–
Deferred tax liabilities expected to be settled after more than 12 months	**23,287**	26,861
	23,403	26,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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23. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES (CONT.)

Movements	Plant and equipment $'000	Intangible assets $'000	Financial assets at fair value through profit and loss $'000	Other provisions $'000	Total $'000
At 1 July 2010	–	–	14,423	–	14,423
(Charged)/credited					
– to profit or loss	–	–	12,438	–	12,438
– directly to equity	–	–	–	–	–
Acquisition of subsidiary	–	–	–	–	–
At 30 June 2011	–	–	26,861	–	26,861
(Charged)/credited	–	–	–	–	–
– to profit or loss	9,267	(1,765)	(26,842)	(292)	(19,632)
– directly to equity	–	–	–	–	–
Acquisition of subsidiary	741	14,640	–	793	16,174
At 30 June 2012	**10,008**	**12,875**	**19**	**501**	**23,403**

24. NON-CURRENT LIABILITIES – PROVISIONS

	2012 $'000	2011 $'000
Employee benefits	**5,051**	1,790
Onerous contract (Property lease)	**4,118**	4,934
	9,169	6,724

(a) Movements in provisions

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

	Onerous contract $'000	Total $'000
Carrying amount at start of year – 1 July 2011	4,934	4,934
Transferred to current provision	(816)	(816)
Carrying amount at end of year – 30 June 2012	**4,118**	**4,118**

25. CONTRIBUTED EQUITY

	Notes	2012 Shares	2011 Units	2012 $'000	2011 $'000
(a) Share capital					
Ordinary shares/units	(c),(f)				
Fully paid		**921,407,185**	610,839,329	**1,019,583**	583,907
Total contributed equity		**921,407,185**	610,839,329	**1,019,583**	583,907

(b) Movements in ordinary shares/units:

Date	Details	Notes	Number of shares (unless otherwise stated)	Issue price	$'000
1 July 2010	Opening balance		468,434,591		427,165
12 July 2010	Non-renounceable rights issue		40,499,941	$0.78	31,590
14 July 2010	Non-renounceable rights issue		6,338,677	$0.78	4,944
30 September 2010	Distribution reinvestment plan		2,594,820	$0.81	2,105
10 March 2011	Placement		36,280,204	$1.28	46,257
31 March 2011	Distribution reinvestment plan		1,582,824	$1.46	2,313
12 April 2011	Placement		55,108,272	$1.28	70,263
	Less: capital raising costs (net of tax)		–		(730)
30 June 2011	Closing balance		610,839,329		583,907
30 August 2011	Qube Restructure – redemption of units	(f)	**(610,839,329)**	$0.9559	**(583,907)**
30 August 2011	Qube Restructure – corporatisation	(f)	**610,839,330**	$0.9559	**583,959**
31 August 2011	Qube Restructure – internalisation	(f)	**23,094,688**	$1.3856	**32,000**
1 September 2011	Qube Restructure – acquisitions	(f)	**164,093,576**	$1.4300	**234,654**
1 September 2011	2012 ELTIP Issue		**3,900,000**	$1.3574	**5,294**
31 October 2011	Dividend reinvestment plan		**1,105,303**	$1.2838	**1,419**
25 November 2011	KFM Performance fee payment		**6,613,759**	$1.3167	**8,708**
16 December 2011	Placement		**63,909,774**	$1.3300	**85,000**
4 January 2012	Purchase of Logistics NCI		**15,848,214**	$1.3500	**21,395**
16 March 2012	Giacci acquisition		**13,560,241**	$1.4749	**20,000**
19 March 2012	Victoria Dock acquisition		**4,746,085**	$1.4749	**7,000**
4 April 2012	Dividend reinvestment plan		**1,696,215**	$1.6799	**2,849**
29 June 2012	2013 ELTIP Issue		**12,000,000**	$1.5135	**18,162**
	Less: Transaction costs arising on share issue		–		(1,225)
	Current tax credit recognised directly in equity		–		368
30 June 2012	Balance		**921,407,185**		**1,019,583**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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25. CONTRIBUTED EQUITY (CONT.)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a discount to the market price determined by the Board.

(e) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 41.

(f) Qube Restructure

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

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

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

(g) Capital risk management

The role of capital risk management at Qube is to support the maximisation of shareholder value. Qube's capital risk management strategy, therefore, is to establish a framework that supports and facilitates the pursuit of Qube's business strategy while minimising Qube's costs of funding.

Qube monitors its capital through a range of measures including net debt to EBITDA, interest cover ratio and other leverage ratios.

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

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

26. RESERVES AND RETAINED EARNINGS

	Notes	2012 $'000	2011 $'000
(a) Reserves			
Business combination reserve		**28,436**	28,436
Share-based payments		**(23,026)**	–
Transactions with non-controlling interests		**(39,548)**	(7,847)
		(34,138)	20,589
Movements:			
Business combination reserve			
Balance 1 July		**28,436**	–
Revaluation – subsidiary		**–**	28,436
Balance 30 June		**28,436**	28,436
Share-based payments			
Balance 1 July		**–**	–
ELTIP loans		**(23,456)**	–
Employee share plan expense	41	**430**	–
Balance 30 June		**(23,026)**	–
Transactions with non-controlling interests			
Balance 1 July		**(7,847)**	–
Acquisition of additional ownership in K-NSS Pty Limited		**(4,007)**	–
Acquisition of additional ownership in KW Auto Logistics Pty Limited		**(1,952)**	–
Acquisition of options from management of subsidiaries		**(8,751)**	–
Acquisition of additional ownership in Qube Logistics		**(16,991)**	(7,847)
Balance 30 June		**(39,548)**	(7,847)
(b) Retained earnings			
Movements in retained earnings were as follows:			
Balance 1 July		**63,299**	16,806
Net (loss)/profit for the year		**(2,525)**	61,838
Dividends/distributions	28	**(32,871)**	(17,568)
Non-controlling interests profits acquired		**–**	2,223
Balance 30 June		**27,903**	63,299

(c) Nature and purpose of reserves

(i) Business combination reserve

In April 2011, Qube acquired an additional 47.3% interest in Qube Logistics for a purchase consideration of $99,449,000. The fair value of Qube Logistics at the time was $127,885,000.

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

(ii) Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees

(iii) Transactions with non-controlling interests

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

In June 2011, Qube acquired an additional interest in Qube Logistics for $11,991,000, representing its fair value at the time. The excess of Qube's consideration paid over the $4,144,000 carrying value of the non-controlling interests in Qube Logistics has been booked as a debit to reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

26. RESERVES AND RETAINED EARNINGS (CONT.)

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

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

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

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

27. NON-CONTROLLING INTERESTS

	2012 $'000	2011 $'000
Interest in:		
Share capital	**102,509**	12,307
Reserves	**–**	–
Retained earnings/(losses)	**(24,617)**	6,285
	77,892	18,592

In April 2011, Qube acquired an additional 47.3% interest in Qube Logistics. As a result of this transaction, the Group recognised a decrease in the carrying value of the non-controlling interests in Qube Logistics. The carrying amount of the non-controlling interest relating to Qube Logistics on the date of acquisition was $42,916,000. The Group recognised a decrease in non-controlling interests of $38,402,000 and an increase in retained earnings of the parent of $2,223,000.

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

28. DIVIDENDS/DISTRIBUTIONS

	2012 $'000	2011 $'000
(a) Ordinary shares/units		
Final dividend/distribution for the year ended 30 June 2011 of 1.9 cents (2010 – 1.5 cents per unit) per fully paid share paid on 31 October 2011 (2010 – 30 September 2010)		
Fully franked based on tax paid @ 30%	**15,162**	7,729
Interim dividend/distribution for the year ended 30 June 2012 of 2.0 cents (2011 – 1.9 cents per unit) per fully paid share paid 4 April 2012 (2011 – 31 March 2011)		
Fully franked based on tax paid @ 30%	**17,709**	9,839
	32,871	17,568
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 2.1 cents per fully paid ordinary share, (2011 – 1.9 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 October 2012 out of retained earnings at 30 June 2012, but not recognised as a liability at the end of the year, is	**19,349**	15,162

Pursuant to the Qube Restructure the returns to security holders of Qube over the period have changed from distributions, whilst Qube was a trust structure, to dividends for payments made after completion of the corporatisation. As Qube was classed as a public trading trust for tax purposes, both the distributions and dividends were treated the same in security holders' tax returns.

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

	Consolidated		Parent entity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2011 – 30%)	**37,466**	10,870	**–**	10,870

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

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

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2012 $	2011 $
Short-term employee benefits	**3,086,768**	–
Post-employment benefits	**95,977**	–
Long-term benefits	**52,111**	–
Termination benefits	**–**	–
Share-based payments	**3,032,574**	–
	6,267,430	–

Detailed remuneration disclosures are provided in the remuneration report on pages 24 to 36.

(b) Equity instrument disclosures relating to key management personnel

(i) Plan shares provided as remuneration

Details of Plan Shares provided as remuneration and the exercise of such Plan Shares, together with their terms and conditions can be found in the remuneration report on pages 24 to 36.

(ii) Legacy incentive plans provided as remuneration

Details of the notional shares provided as remuneration and the exercise of such notional shares, under the Shadow Equity Plan together with their terms and conditions can be found in the remuneration report on pages 24 to 36.

(iii) Shareholdings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

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

Qube operated as a managed investment scheme with a Responsible Entity and an external investment manager for the year ended 30 June 2011 and up until corporatisation in September 2011. There were no direct or indirect shareholdings by directors or key management personnel for the year ended 30 June 2011 and up until corporatisation in September 2011.

(c) Loans to key management personnel

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

(i) Aggregates for key management personnel

	Balance at the start of the year $	Loans granted during the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number in Group at the end of the year
2012	**–**	**6,464,402**	**145,905**	**–**	**6,464,402**	**4**
2011	–	–	–	–	–	–

(ii) Individuals with loans above $100,000 during the financial year

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

In 2011, there were no loans to key management personnel that exceeded $100,000 at any time.

A Includes FY 13 ELTIP issue on 29 June 2012.

* **ELTIP Loans**

Interest rate: The loan bears interest in an amount equal to the dividend paid on Plan Shares acquired with that loan, excluding any dividend characterised as a special dividend by the Board. Interest is payable within 3 business days of the date of payment of each dividend.

Maturity date: The loan for any Plan Share must be repaid on the earlier of the date 3 months after the Plan Share vests (subject to extension for up to 2 years), the date 3 months following the termination of engagement of the executive, the date 5 business days after the Plan Share is sold, the date 5 years and 3 months after making the loan and any earlier date set by the Board at the time of offer of the Plan Shares. The loan is a limited recourse loan with the amount to be repaid limited to the lesser of the principal advanced and the price realised on sale of the Plan Share.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(d) Other transactions with key management personnel

(i) Legacy incentive plans – Equity Growth Bonus Plan

Paul Digney and Don Smithwick were both eligible senior executives entitled to a cash bonus under the Equity Growth Bonus Plan. The terms and conditions and bonus payments provided as remuneration can be found in the remuneration report on pages 24 to 36.

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

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

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

	2012 $	2011 $
Amounts recognised as revenue		
Director fees	**90,000**	–

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

	2012 $	2011 $
Non-current assets	**800,402**	–

30. REMUNERATION OF AUDITORS

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

	2012 $	2011 $
(a) PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**440,000**	271,886
Other assurance services		
Audit of other subsidiary financial statements	**8,900**	–
Total remuneration for audit and other assurance services	**448,900**	271,886
(ii) Taxation services		
Tax compliance services	**57,300**	58,000
Tax advisory services	**384,075**	369,426
Total remuneration for taxation services	**441,375**	427,426
(iii) Other services		
Other services	**–**	274,399
Total remuneration of PwC Australia	**890,275**	973,711
(b) Non-PwC audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	**75,000**	–
Total auditors' remuneration	**965,275**	973,711

31. CONTINGENCIES

Contingent liabilities

The Group had contingent liabilities at 30 June 2012 in respect of:

Guarantees

Qube's subsidiary Qube Logistics has contingent liabilities as at 30 June 2012 of $2,511,200 (2011: $Nil) relating to rolling stock outstanding payments, pending full accreditation.

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

Qube's subsidiary Qube Logistics has unsecured bank guarantees amounting to $6,612,668 (2011: $3,522,000).

Qube's subsidiary Qube Ports & Bulk has unsecured bank guarantees amount to $3,983,466 (2011: $Nil).

32. COMMITMENTS

(a) Capital commitments

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

	2012 $'000	2011 $'000
Payable:		
Within one year	**91,927**	22,300
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
	91,927	22,300

Included within the above balance is $33,634,000 in capital expenditure for plant and equipment by Qube Ports & Bulk for contracted work and property related costs of $44,500,000 associated with the Macarthur Intermodal Shipping Terminal Pty Ltd (MIST) acquisition.

(b) Lease commitments: Group as lessee

(i) Non-cancellable operating leases

The Group has non-cancellable operating leases in relation to plant, equipment and motor vehicles expiring within two to five years. The leases have varying terms including fully-maintained or non-maintained, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

It also has non-cancellable land only operating leases in relation to warehouses, rail terminals and offices expiring within two to fifteen years. The leases have varying terms, escalation clauses and renewal rights. Limited excess occupancy spaces are sub-let to third parties also under non-cancellable operating leases or casual rental basis.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2012 $'000	2011 $'000
Within one year	**55,374**	34,639
Later than one year but not later than five years	**112,827**	79,920
Later than five years	**104,760**	56,529
	272,961	171,088

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2012 (2011: Nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)
30 JUNE 2012

32. COMMITMENTS (CONT.)

	2012 $'000	2011 $'000
(ii) Finance leases		
Commitments in relation to finance leases are payable as follows:		
Within one year	**23,009**	7,583
Later than one year but not later than five years	**44,235**	11,514
Later than five years	**6**	56
Minimum lease payments	**67,250**	19,153
Future finance charges	**(8,815)**	(1,776)
Total lease liabilities	**58,435**	17,377
Representing lease liabilities:		
Current (note 20)	**19,306**	7,583
Non-current (note 22)	**39,129**	9,794
	58,435	17,377
The present value of finance lease liabilities is as follows:		
Within one year	**19,306**	7,207
Later than one year but not later than five years	**39,124**	10,125
Later than five years	**5**	45
Minimum lease payments	**58,435**	17,377

33. RELATED PARTY TRANSACTIONS

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 35.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 29.

(d) Transactions with other related parties

Prior the Qube Restructure, Qube was a managed investment scheme and as such did not have any related party dealings in the year ended 30 June 2011 other than those set out under (h) responsible entity fees.

The following transactions occurred with related parties:

	2012 $'000	2011 $'000
Stevedoring services		
– received from associates	**29,422**	–
– received from other related entities	**31,678**	–
– paid to associates	**40,119**	–
Logistics services		
– received from associates	**5,057**	–
– received from other related entities	**15**	–
– paid to associates	**1,352**	–
– paid to other related entities	**480**	–
Management fees earned		
– from associates	**103**	–
Management fees paid		
– to related entities – (refer h below)	**2,575**	–
Consulting fees earned		
– from other related entities	**162**	–
Rental income		
– from associates	**5,591**	–
Dividend and distribution income		
– from associates	**16,783**	–

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of each reporting period in relation to transactions with related parties:

	2012 $'000	2011 $'000
Current receivables (provision of services)		
Associates and other related parties	**267**	–
Current payables (payment for services)		
Associates and other related parties	**8,538**	–

(f) Loans to/from related parties

	2012 $'000	2011 $'000
Loans from Qube Logistics Holdings Limited (ultimate Australian parent entity)		
Beginning of the year	**–**	–
Loans advanced	**5,664**	–
Interest charged	**97**	–
Interest paid	**(97)**	–
End of year	**5,664**	–
Loans from Qube Logistics (Aust) Pty Limited		
Beginning of the year	**–**	–
Loans advanced	**800**	–
Interest charged	**48**	–
Interest paid	**(48)**	–
End of year	**800**	–

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

33. RELATED PARTY TRANSACTIONS (CONT.)

(g) Terms and conditions

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

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

(h) Responsible Entity Fees

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

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

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

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

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

	2012 $'000	2011 $'000
Responsible Entity fees to The Trust Company (RE Services) Limited	**262**	185
Management fees to Kaplan Funds Management Pty Limited	**2,312**	8,480
Provision for performance fee to Kaplan Funds Management Pty Limited	**–**	17,417
	2,574	26,082

34. BUSINESS COMBINATIONS

(a) Mackenzie Acquisition

On 6 July 2011, the Group acquired 100% of the issued share capital of Mackenzie Intermodal Pty Ltd. The acquisition has increased the Logistics division's South Australian capability.

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

	$'000
Purchase consideration	
Cash paid	**16,000**
Deferred consideration	**1,976**
Total purchase consideration	**17,976**

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

	Fair value $'000
Cash and cash equivalents	**203**
Trade & other receivables	**3,326**
Inventories	**39**
Plant and equipment	**12,081**
Investments	**1,616**
Net deferred tax assets	**287**
Bank overdraft	**(346)**
Trade payables	**(2,468)**
Provision for employee benefits	**(843)**
Finance lease liabilities	**(8,122)**
Net identified assets acquired	**5,773**
Add: goodwill	**12,203**
Net assets acquired	**17,976**

The goodwill is attributable to Mackenzie's strategic locations, strong position and profitability in the freight and transport logistics market along with synergies expected to arise after the acquisition. Goodwill does not form part of the cost base of the asset.

(i) Acquisition related costs
Acquisition related costs of $146,000 are included in other expenses in profit or loss.

(ii) Deferred consideration
The deferred consideration arrangement requires the Group to pay the former owners of Mackenzie a maximum of $2,000,000 payable 12 months after the acquisition date, dependent on satisfaction of certain conditions.

A final payment of $1,976,000 was made on 6 July 2012 under the terms of the deferred consideration.

(iii) Acquired receivables
The fair value of trade and other receivables is $3,326,000 and includes trade receivables with a fair value of $2,963,000 which are expected to be collectible.

(iv) Revenue and profit contribution
The acquired business contributed revenues of $30,661,000 and net profit after tax of $2,025,000 to the Group for the period from 6 July 2011 to 30 June 2012. The acquisition has been recorded in the financial statements as if it occurred on 1 July 2011.

(b) K-POAGS Acquisition

Pursuant to the Qube Restructure acquisitions, the Group acquired the 45.8% interest in K-POAGS Pty Ltd that it did not previously own, making K-POAGS Pty Ltd's operating business a wholly owned entity of Qube. The acquisition consideration was made up of a combination of Qube shares and cash. The share component of the purchase consideration comprised 116,084,238 shares with a fair value of $1.43 per share, this being the price on the date of Qube obtaining control. The shares were issued on 1 September 2011.

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

	$'000
Purchase consideration	
Cash paid	**5,038**
Total cash consideration	**5,038**
Fair value of shares issued	**166,000**
Fair value of equity interest held before the business combination	**162,079**
Total	**333,117**

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

	Fair value $'000
Cash and cash equivalents	**18,068**
Trade & other receivables	**43,537**
Property, plant and equipment	**86,485**
Investments	**240**
Intangible assets	**30,300**
Trade and other payables	**(26,395)**
Tax payable	**(3,781)**
Provision for employee benefits	**(17,945)**
Borrowings	**(55,000)**
Net deferred tax liabilities	**(4,829)**
Other liabilities	**(4,116)**
Net identified assets acquired	**66,564**
Add: goodwill	**266,553**
Net assets acquired	**333,117**

The goodwill is attributable to Qube Ports & Bulk's operating business's national presence, strong position and profitability in providing stevedoring and other logistics services in the import and export of non-containerised cargo market particularly for the auto, bulk and project cargo sectors. Goodwill does not form part of the cost base of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

34. BUSINESS COMBINATIONS (CONT.)

(i) Acquired receivables

The fair value of trade and other receivables is $43,537,000 and includes trade receivables with a fair value of $41,851,000 which are expected to be collectible.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $301,756,000 and net profit after tax of $19,920,000 to the Group for the period to 30 June 2012. If the acquisition had occurred on 1 July 2011, revenue and profit after tax for year ended 30 June 2012 would have been $353,329,000 and $23,725,000 respectively.

(c) Victoria Dock Acquisition

On 19 March 2012, Qube entered into an agreement with Westgate Ports Pty Limited and Westgate Port Services Pty Limited (‘Westgate’) to acquire the assets and take assignment of the leases that Westgate holds at Victoria Dock in Melbourne for $46.3m inclusive of debt. The transaction was completed on 19 March 2012.

The consideration was paid through the issue of 4.7 million Qube shares at an issue price of $1.4749 per share with the balance paid in cash funded through the Group’s existing cash and debt facilities.

The acquisition provides the Group with long-term tenure on a major site located within Australia’s busiest container port precinct.

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

	$’000
Purchase consideration	
Cash paid	**37,954**
Total cash consideration	**37,954**
Fair value of shares issued	**7,000**
Total	**44,954**

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

	Fair value $’000
Plant and equipment	**28,771**
Finance lease liabilities	**(1,283)**
Net deferred tax liabilities	**(71)**
Net identified assets acquired	**27,417**
Add: goodwill	**17,537**
Net assets acquired	**44,954**

The goodwill is attributable to the strategic advantage of having a major facility with scope for further expansion at the port. Goodwill does not form part of the cost base of the asset.

(i) Revenue and profit contribution

It is impracticable and unreliable to report separate revenue and profit contributions since the acquisition of Victoria Dock or from the commencement of the financial year. This is the result of the structure and nature of the transaction. Operationally the business assets acquired have been integrated within Qube Logistics’ existing Victorian business almost immediately.

(ii) Acquisition related costs

Acquisition related costs of $110,000 are included in other expenses in profit or loss.

(d) Giacci Acquisition

On 24 February 2012, Qube reached a binding agreement to acquire Giacci Holdings Pty Limited ('Giacci') for $119m. The transaction was completed on 16 March 2012. The purchase price included an $18m two year deferred payment subject to adjustments based on the earnings of the business in the future which has been discounted to $16m in the financial statements.

The acquisition was funded through the issue of $20m of new Qube shares to the vendor at an issue price of $1.4749 per share with the balance of the purchase funded from the Group's available cash and debt facilities.

The acquisition will enable Qube to provide a complete mine-to-ship logistics solution covering transport, stockpile management and stevedoring. The acquisition sits within the Ports & Bulk division.

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

	$'000
Purchase consideration	
Cash paid	**81,209**
Total cash consideration	**81,209**
Fair value of shares issued	**20,000**
Deferred consideration	**16,062**
Total	**117,271**

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

	Fair value $'000
Cash and cash equivalents	**4,041**
Trade & other receivables	**17,769**
Plant and equipment	**67,034**
Inventories	**388**
Trade and other payables	**(8,938)**
Tax payable	**(2,499)**
Provision for employee benefits	**(2,392)**
Borrowings	**(1,345)**
Finance lease liabilities	**(32,686)**
Net deferred tax asset	**469**
Net identified assets acquired	**41,841**
Add: goodwill	**75,430**
Net assets acquired	**117,271**

The goodwill is attributable to Giacci's strong market position and diversified operations. Goodwill does not form part of the cost base of the asset.

(i) Acquired receivables

The fair value of trade and other receivables is $17,769,000 and includes trade receivables with a fair value of $13,850,000 which are expected to be collectible.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $31,497,000 and net profit after tax of $1,404,000 to the Group for the period from 16 March to 30 June 2012. If the acquisition had occurred on 1 July 2011, revenue and profit after tax for the ended 30 June 2012 would have been $99,226,000 and $9,499,000 respectively.

(iii) Acquisition related costs

Acquisition related costs of $2,588,672 are included in other expenses in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

34. BUSINESS COMBINATIONS (CONT.)

(iv) Deferred consideration

The deferred consideration arrangement requires the Group to pay the former owners of Giacci various amounts, payable up to 24 months after the acquisition date. Actual consideration payable is contingent on certain future conditions including financial results for the year ending 30 June 2013. The minimum amount payable is nil and the maximum is $18,200,000.

In addition to the deferred consideration there is an arrangement with one of the former owners who has continued with the business as its Managing Director, whereby his remuneration for the two years from the acquisition date is dependent on the financial results for the year ending 30 June 2013. This cost is treated as an operating expense.

(e) Moorebank Acquisition

On 8 June 2012, Qube completed the acquisition of an additional 36.67% interest in Moorebank Industrial Property Trust ('MIPT') for a total consideration of $82m. The acquisition takes Qube's overall interest in MIPT to 66.67% giving it control.

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

	$'000
Purchase consideration	
Cash paid	**82,000**
Total cash consideration	**82,000**
Fair value of equity interest held before the business combination	**69,926**
Total	**151,926**

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

	Fair value $'000
Cash and cash equivalents	**1,024**
Trade & other receivables	**15**
Investment property	**234,000**
Trade and other payables	**(1,259)**
Net identified assets acquired	**233,780**
Less: non-controlling interest	**(77,927)**
Less: discount on acquisition	**(3,927)**
Net assets acquired	**151,926**

The gain on acquisition is primarily the result of the purchase price reflecting an agreed discount on market value of the assets of MIPT.

(i) Revenue and profit contribution

The acquired business contributed revenues of $1,053,000 and net profit after tax of $944,000 to the Group for the period from 8 June 2012 to 30 June 2012. If the acquisition had occurred on 1 July 2011, revenue and profit after tax for the year ended 30 June 2012 would have been $21,746,000 and $4,025,000 (including a negative fair value adjustment of $10.6m) respectively.

(ii) Acquisition related costs

Acquisition related costs of $4,453,000 are included in other expenses in profit or loss.

(f) Purchase consideration – cash outflow

	2012 $'000	2011 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**222,201**	16,042
Less: Balances acquired		
Cash	**23,336**	15,330
Bank overdraft	**(346)**	(2,240)
	22,990	13,090
Outflow of cash – investing activities	**199,211**	2,952

35. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2012 %	Equity holding 2011 %
Qube Logistics Holdings Limited *	Australia	Ordinary		
Qube Terminals Pty Ltd*	Australia	Ordinary	**100**	–
Qube Property Management Services Pty Ltd	Australia	Ordinary	**100**	–
Qube RE Services Pty Ltd	Australia	Ordinary	**100**	–
Qube Properties Pty Ltd	Australia	Ordinary	**100**	–
Qube Logistics Trust*	Australia	Ordinary	**100**	–
Kaplan Equity Ltd*	Australia	Ordinary	**100**	100
KFM Asian Logistics 1 Pty Ltd*	Australia	Ordinary	**100**	100
KFM Europe Logistics Pty Ltd*	Australia	Ordinary	**100**	100
KIL Property Investments Pty Ltd	Australia	Ordinary	**100**	100
KFM Property Logistics 1 Pty Ltd	Australia	Ordinary	**100**	100
Minto Properties Pty Ltd	Australia	Ordinary	**100**	50
Moorebank Industrial Property Trust	Australia	Ordinary	**66.67**	30
KW Auto Logistics Pty Ltd*	Australia	Ordinary	**100**	77.5
K-NSS Pty Ltd*	Australia	Ordinary	**100**	76.6
Oversea & General Stevedoring Co Pty Ltd*	Australia	Ordinary	**100**	76.6
K-AA Terminals Pty Ltd*	Australia	Ordinary	**100**	77.2
P&O Wharf Management Pty Ltd*	Australia	Ordinary	**100**	77.2
Qube Ports & Bulk:				
K-POAGS Pty Ltd*	Australia	Ordinary	**100**	54.2
KFM Logistics Investments 2 Pty Ltd*	Australia	Ordinary	**100**	54.2
Qube Ports Pty Ltd (formally known as POAGS Pty Ltd)*	Australia	Ordinary	**100**	54.2
Qube Ports & Bulk subsidiaries:				
Qube Ports (No 1) Pty Ltd*	Australia	Ordinary	**100**	54.2
Qube Bulk Pty Ltd*	Australia	Ordinary	**100**	54.2
Continental Freight Services (Aust.) Pty. Ltd*	Australia	Ordinary	**100**	54.2
Markhaven Pty. Ltd*	Australia	Ordinary	**100**	54.2
Qube Defence Logistics Pty Ltd*	Australia	Ordinary	**100**	54.2
Stonecrest Enterprises Pty Ltd*	Australia	Ordinary	**100**	–
Giacci Holdings Pty Ltd*	Australia	Ordinary	**100**	–
Giacci Port Services Pty Ltd*	Australia	Ordinary	**100**	–
Giacci Limestone Pty Ltd*	Australia	Ordinary	**100**	–
Giacci Group Operations Pty Ltd*	Australia	Ordinary	**100**	–
Giacci SA Pty Ltd*	Australia	Ordinary	**100**	–
Giacci Bros. Pty Ltd*	Australia	Ordinary	**100**	–
Giacci Management Services Pty Ltd*	Australia	Ordinary	**100**	–
Giacci NT Pty Ltd*	Australia	Ordinary	**100**	–
Giacci Contracting Pty Ltd*	Australia	Ordinary	**100**	–
Qube Logistics:				
K-POTA Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Aust) Pty Ltd (formally known as POTA Holdings Pty Ltd)*	Australia	Ordinary	**100**	94.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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35. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (CONT.)

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2012 %	Equity holding 2011 %
Qube Logistics subsidiaries:				
Qube Logistics (Qld) Pty Ltd *	Australia	Ordinary	**100**	94.7
Qube Logistics (Global) Pty Ltd *	Australia	Ordinary	**100**	94.7
POTA Global Management (NZ) Limited	New Zealand	Ordinary	**100**	94.7
Qube Logistics (SB) Pty Ltd *	Australia	Ordinary	**100**	94.7
Qube Logistics (NSW) Pty Ltd*	Australia	Ordinary	**100**	94.7
Qube Logistics (QldT) Pty Ltd*	Australia	Ordinary	**100**	94.7
Qube Logistics (QldT1) Pty Ltd*	Australia	Ordinary	**100**	94.7
Qube Logistics (QldT2) Pty Ltd*	Australia	Ordinary	**100**	94.7
Qube Logistics (QldT3) Pty Ltd*	Australia	Ordinary	**100**	94.7
Qube Logistics (QldT4) Pty Ltd*	Australia	Ordinary	**100**	94.7
Qube Logistics (QldT5) Pty Ltd*	Australia	Ordinary	**100**	94.7
Qube Logistics (QldT6) Pty Ltd*	Australia	Ordinary	**100**	94.7
Qube Logistics (Vic) Pty Ltd *	Australia	Ordinary	**100**	94.7
Qube Logistics (WA) Pty Ltd *	Australia	Ordinary	**100**	94.7
Qube Logistics (WA1) Pty Ltd *	Australia	Ordinary	**100**	94.7
Qube Logistics (H&S) Pty Ltd *	Australia	Ordinary	**100**	94.7
Qube Logistics (Rail) Pty Ltd *	Australia	Ordinary	**100**	94.7
Qube Logistics (SA) Pty Ltd *	Australia	Ordinary	**100**	94.7
Qube Logistics (SA1) Pty Ltd *	Australia	Ordinary	**100**	-

* These subsidiaries have taken advantage of relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 36.

(b) Transactions with non-controlling interests

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

	2012 $'000	2011 $'000
Carrying amount of non-controlling interests acquired	**17,898**	4,144
Consideration paid to non-controlling interests	**(49,599)**	(11,991)
Excess consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(31,701)**	(7,847)

Further detail in relation to each transaction can be found in note 26(c).

36. DEED OF CROSS GUARANTEE

The parent entity and the companies noted in note 35(a) are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

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

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the closed group consisting of the parent entity and the entities listed in note 35(a).

	2012 $'000
Consolidated income statement	
Revenue from continuing operations	**776,818**
Other income	**151**
Direct transport and logistics costs	**251,824**
Repairs and maintenance costs	**34,569**
Employee benefits expense	**289,545**
Fuel, oil and electricity costs	**52,246**
Occupancy and property costs	**46,183**
Depreciation and amortisation expense	**35,803**
Professional fees	**9,394**
Refinance costs	**7,419**
Qube restructure termination payment	**40,000**
Trust related expenses	**274**
Other expenses	**11,741**
Results from operating activities	**(2,029)**
Finance income	**4,582**
Finance costs	**(11,926)**
Net finance costs	**(7,344)**
Share of net profit of associates accounted for using the equity method	**12,792**
Profit before income tax	**3,419**
Income tax/(benefit)	**(603)**
Profit for the year	**4,022**
Consolidated statement of comprehensive income	
Profit for the year	**4,022**
Other comprehensive income for the year, net of tax	**–**
Total comprehensive income for the year	**4,022**
Total comprehensive income/(loss) attributable to:	
Owners of Qube	**4,022**
Non-controlling interests	**–**
	4,022
Summary of movements in consolidated retained earnings	
Retained earnings at the beginning of the financial year	**65,105**
Profit for the year	**4,022**
Dividends provided for or paid	**(32,871)**
Retained earnings at the end of the financial year	**36,256**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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36. DEED OF CROSS GUARANTEE (CONT.)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2012 of the closed group consisting of the parent entity and the entities listed in note 35(a).

	2012 $'000
ASSETS	
Current assets	
Cash and cash equivalents	112,634
Trade and other receivables	141,819
Inventories	3,604
Current tax receivable	1,229
Financial assets at fair value through profit or loss	996
Total current assets	260,282
Non-current assets	
Trade and other receivables	4,002
Financial assets at fair value through profit or loss	152,057
Investments accounted for using the equity method	182,763
Property, plant and equipment	362,933
Deferred tax assets	19,205
Intangible assets	593,361
Other	1,396
Total non-current assets	1,315,717
Total assets	1,575,999
LIABILITIES	
Current liabilities	
Trade and other payables	46,685
Borrowings	16,619
Derivative financial instruments	1,436
Provisions	37,877
Total current liabilities	102,617
Non-current liabilities	
Trade and other payables	17,710
Borrowings	401,584
Deferred tax liabilities	23,218
Provisions	9,169
Total non-current liabilities	451,681
Total liabilities	554,298
Net assets	1,021,701
EQUITY	
Contributed equity	1,019,583
Reserves	(34,138)
Retained earnings	36,256
Capital and reserves attributable to owners of Qube Logistics Holdings Limited	1,021,701
Non-controlling interests	–
Total equity	1,021,701

37. INVESTMENTS IN ASSOCIATES

	2012 $'000	2011 $'000
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**–**	–
Reclassification from financial assets at fair value through profit and loss	**221,342**	–
Additional investment	**33,812**	–
Share of profits after income tax	**16,431**	–
Share of investment property revaluation loss	**(3,196)**	–
Dividends received/receivable	**(15,701)**	–
Reclassification to subsidiary	**(69,925)**	–
Carrying amount at the end of the financial year	**182,763**	–

Prior to the Qube Restructure, Qube was accounting for its interests in associates on the basis of fair value. Therefore there is no comparable information for the year ended 30 June 2011.

(b) Summarised financial information of associates

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

		Company's share of:			
	Ownership Interest %	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2012					
Australian Amalgamated Terminals Pty Ltd	50	57,691	56,715	30,177	7,094
Northern Stevedoring Services Pty Ltd	50	24,646	20,594	28,289	4,072
Prixcar Services Pty Ltd*	25	14,188	2	14,878	1,353
Moorebank Industrial Property Trust**	30	–	–	–	443
Mackenzie Hillebrand	50	4,582	2,694	11,586	273
		101,107	80,005	84,930	13,235

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

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

All of the above associates are incorporated in Australia.

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Acquisition of Macarthur Intermodal Shipping Terminal Pty Limited (MIST)

On 7 June 2012, Qube executed an agreement to acquire 100% of the issued share capital of MIST which together with its wholly owned operating subsidiaries trades as Independent Transport Group (ITG). The acquisition was completed on 22 August 2012.

The total consideration payable for the acquisition of MIST and property is approximately $95 million (excluding stamp duty and associated transaction costs) and will be funded from Qube's new syndicated debt facility.

The financial effects of this transaction have not been brought to account at 30 June 2012. The operating results and assets and liabilities of the Company will be consolidated from 22 August 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

39. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 $'000	2011 $'000
Profit/(loss) for the year	**(1,470)**	65,459
Depreciation and amortisation	**36,215**	7,396
Non-cash employee benefits expense – share-based payments	**9,043**	–
Amounts credited to provision against assets	**367**	–
Fair value adjustment to investment property	**4,182**	–
Gain realised on acquisition of subsidiary	**(3,927)**	–
Termination fee settled by share issue	**40,708**	–
Profit on sale of property plant and equipment	**(412)**	(62)
Share of profits of associates and joint venture partnership (net of dividends received)	**2,740**	–
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase) in trade debtors and other receivables	**(19,755)**	(3,986)
(Increase) in inventories	**(293)**	–
(Increase)/decrease in financial assets at fair value through profit or loss	**9,195**	(64,921)
(Increase)/decrease in deferred tax assets	**(9,295)**	–
(Decrease)/increase in trade creditors	**6,629**	2,550
(Decrease)/increase in other operating liabilities	**4,606**	–
Increase/(decrease) in provision for income taxes payable	**(10,057)**	(3,104)
Increase/(decrease) in deferred tax liabilities	**(2,263)**	4,474
Increase/(decrease) in other provisions	**(13,044)**	18,461
Net cash inflow/(outflow) from operating activities	**53,169**	26,267

(a) Non-cash investing and financing items

	2012 $'000	2011 $'000
The following items were financed through the issue of Qube shares:		
K-POAG's acquisition	**166,000**	–
ELTIP issues	**23,456**	–
Qube Restructure termination payment	**32,000**	–
Performance Fee	**8,708**	–
Dividend reinvestment plan	**4,268**	4,418
Westgate acquisition	**7,000**	–
Giacci acquisition	**20,000**	–
	261,432	4,418

40. EARNINGS PER SHARE/UNIT

	2012 Cents	2011 Cents
(a) Basic earnings per share/unit		
From continuing operations attributable to the ordinary equity holders of the Company	–	11.40
Total basic earnings per share/unit attributable to the ordinary equity holders of the Company	–	11.40
(b) Diluted earnings per share/unit		
From continuing operations attributable to the ordinary equity holders of the Company	–	11.40
Total diluted earnings per share/unit attributable to the ordinary equity holders of the Company	–	11.40

	2012 $'000	2011 $'000
(c) Reconciliations of earnings used in calculating earnings per share/unit		
Basic and diluted earnings per share/unit		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share/unit		
From continuing operations	**(2,525)**	61,838

	2012 Number	2011 Number
(d) Weighted average number of shares/units used as the denominator		
Weighted average number of ordinary shares/units used as the denominator in calculating basic and diluted earnings per share/unit	**821,614,733**	542,545,605

41. SHARE-BASED PAYMENTS

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

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

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

Qube intends to issue up to a maximum of 5% of the issued capital of Qube under the ELTIP.

Participation	Only those executives invited by the Board to apply are eligible to participate.
Instrument	Plan Shares (ordinary shares with vesting subject to performance conditions)
Issue price	The issue price for Plan Shares acquired is the volume weighted average price (VWAP) at which shares trade on ASX over the 20 trading days prior to the date of issue of the shares.
Performance period	5 years and 3 months after making the loan and any earlier date set by the Board at the time of offer of the Plan Shares.
Shareholder approval	Shareholders approved the ELTIP at Qube's 2011 AGM. Issues of Plan Shares under the ELTIP to the Managing Director must be approved by shareholders.
Performance conditions	The performance conditions imposed may vary from offer to offer, but generally relate to financial performance and continued engagement with Qube. Presently, the financial performance criteria are based on improvements in the profitability of the company as measured by a combination of compound annual shareholder return and earnings per share growth. The Board may also determine to impose length of service conditions in order to maximise the long-term incentive benefit of the ELTIP.
Method for assessing performance	Vesting of the Plan Shares is typically subject to Qube achieving performance conditions set by the Board linked to shareholder return: For the ELTIP as at the date of this report the performance hurdles comprise: (a) a compound annual shareholder return (ASR), including share price growth and dividends (presently set at 10%), (b) a compound annual increase in the underlying earnings per share (presently set at 11%).
Vesting criteria	The Plan Shares vest in 3 tranches. Once vested, the Plan Shares may be traded subject only to the repayment of the loan referrable to those Plan Shares and Qube's Securities Trading Policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

41. SHARE-BASED PAYMENTS (CONT.)

Lapsing and forfeiture	Plan Shares will be forfeited, or sold by the company to repay the loan if performance hurdles are not achieved, or the executive is no longer employed by Qube.
Dividends	A participant in the ELTIP is entitled to receive any dividend or distribution paid in respect of Plan Shares.
Rights and bonus issues	Participants in the ELTIP own the Plan Shares in their own right and are entitled to participate in any rights or bonus issue undertaken by Qube. Qube may, in its absolute discretion, provide a loan sufficient to meet the subscription price for a participant's entitlement to new shares on terms agreed between Qube and the participant at the time. Any Plan Shares issued under a bonus or rights issue will not be subject to any trading restrictions.
Holding lock	Qube has a holding lock on Plan Shares until they become vested and the related loan and any outstanding interest have been paid. Plan Shares subject to a holding lock are unable to be traded.
Expiry date	The loan for any Plan Share must be repaid on the earlier of: (a) the date 3 months after the Plan Share vests (subject to extension for up to 2 years) (b) the date 3 months following the termination of engagement of the executive (c) the date 5 business days after the Plan Share is sold (d) the date 5 years and 3 months after making the loan, and (e) any earlier date set by the Board at the time of offer of the Plan Shares. The loan is a limited recourse loan with the amount to be repaid limited to the lesser of the principal advanced and the price realised on sale of the Plan Share.

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

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

Grant Date	Last possible vesting Date	Issue Price ($)	Balance at start of year (number)	Granted during the year (number)	Vested/ exercised during the year (number)	Forfeited during the year (number)	Balance at end of year (number)	Vested and exercisable at end of the year (number)
1 September 2011*	30 November 2014	1.3575	–	3,900,000	–	–	3,900,000	–
29 June 2012**	30 November 2015	1.5135	–	12,000,000	–	–	12,000,000	–

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

** This issue granted on 29 June 2012 was not expensed in FY12 as it does not relate to current year remuneration and therefore has been excluded from the table below.

Fair value of plan shares granted:

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

The model inputs for Plan Shares expensed during the year ended 30 June 2012 included:

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

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

Where Plan shares are issued to employees of subsidiaries within the Group, the subsidiaries compensate Qube Logistics Holdings Limited for the amount recognised as an expense in relation to these Plan shares.

(b) Shadow Equity Plan

This scheme was offered to certain senior executives of Qube's Logistics and Ports & Bulk divisions to encourage retention of senior employees and focus on growth in the value of Qube. The scheme replaced the existing options schemes in each division when they operated as independent entities with different corporate structures.

Under the terms of the scheme, executives have been granted an economic interest in a total of 3,081,470 Qube shares which was equal to the estimated value of the option scheme that was terminated. Subject to achieving the vesting hurdle outlined below, they will be paid a cash bonus in January 2015 equal to the value of those Qube shares at the time (adjusted for items including dividends paid (disregarding franking credits), pro-rata entitlement issues, share splits and similar transactions) from the commencement of the scheme to the payment date.

Essentially, the cash bonus should be approximately equivalent to the value that would have accrued to that employee had they owned the Qube shares for the three year period, less applicable tax.

The only vesting hurdle is that the recipient must continue to be employed by the respective business on 31 December 2014 and the relevant employer has not become entitled to terminate the recipient's employment due to adverse circumstances including serious misconduct.

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

Grant Date	Expiry Date	Issue Price ($)	Balance at start of year (number)	Notional shares granted during the year (number)	Notional shares vested/ exercised during the year (number)	Notional shares forfeited during the year (number)	Balance at end of year (number)	Notional shares expensed at end of the year (number)
15 December 2011	31 December 2014	1.35	–	3,081,470	–	–	3,081,470	554,665

Fair value of notional shares granted:

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

The model inputs for shares granted during the year ended 30 June 2012 included:

(a) share price at grant date: $1.35

(b) share price at year end: $1.55

(c) expected dividend yield: 3%

(d) expected life (years): 3 years

(e) expected growth rate: 5%

(f) discount rate: 7%

(c) Equity Growth Bonus Plan

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

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

To trigger the hurdle, the equity valuation on or prior to 31 December 2014 adjusted for new capital contributed since 30 June 2011, would had to have increased by approximately $280 million in respect of Qube Logistics and in the case of Qube Ports & Bulk by $140 million from the date the relevant scheme was approved. Based on the valuation of each business as at June 2012, it was considered likely that relevant hurdles would be achieved prior to 31 December 2014.

Therefore, given the high probability of the incentive being payable in the future and to ensure that all senior executives were aligned to Qube's long-term growth rather than divisionally focused, it was decided to terminate the Equity Growth Bonus Plan based on an agreed value with management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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41. SHARE-BASED PAYMENTS (CONT.)

Fair value of cash bonus payments:

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

The eligible participants will receive a termination payment in the form of a cash bonus of 50% of the total amount less applicable tax, in December 2012 and December 2013. (Refer to note 19).

(d) Expenses arising from share-based payment transactions

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

	2012 $'000	2011 $'000
Equity based compensation – expensed		
Executive long-term incentive plan	**430**	–
Shadow Equity plan	**813**	–
Equity Growth Bonus plan	**7,800**	–
	9,043	–

42. FINANCIAL RISK MANAGEMENT

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

The Board of Directors is tasked with the risk management process for Qube. The risk management process involves a detailed analysis of cash flows and forecasts. The Board of Directors undertakes a continuous review of the performance and prospects of Qube. This will include consideration of the gearing levels within each subsidiary entity and the impact of adverse movements in interest rates, the level and predictability of cash flows to meet debt obligations and capital expenditure, as well as any change in strategy that changes the underlying risk profile for that entity.

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

(a) Credit risk

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

Qube is exposed to credit risk as a result of its deposits with banks and investments in fixed interest securities and money market securities. Qube mitigates credit risk arising from these investments by investing only in term deposits and money market securities issued by the major domestic banks. In relation to trade receivables, where possible, Qube only transacts with credit worthy customers and then continually reviews the outstanding amounts for impairment as set out in note 1(n).

Other than as set out in note 9 none of the financial assets are impaired nor past due but not impaired at 30 June 2012 ($Nil 30 June 2011).

There were no significant concentrations of credit risk to counterparties at 30 June 2012 or 30 June 2011.

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

	2012 $'000	2011 $'000
Cash and cash equivalents		
AA	**118,565**	78,860

(b) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

	2012 $'000	2011 $'000
Bank loans	**443,170**	93,180
Cash	**(118,565)**	(78,860)
Net exposure to cash flow interest rate risk	**324,605**	14,320

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

The sensitivities of Qube's monetary assets and liabilities to interest rate risk is summarised in (c) below. The analysis is based on the assumption that interest rates changed +/100 basis points (2011 – +/ 100 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of money market securities, interest rate securities, term deposits with banks and borrowings.

(ii) Foreign exchange risk

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

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

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

The sensitivities of the Group's monetary assets and liabilities to foreign exchange risk is summarised in (c). The analysis is based on the assumption that the Australian dollar weakened/strengthened by 5% (2011 – 5%) against the US dollar. The impact arises mainly from Qube's purchase of US dollar assets.

(c) Sensitivity analysis

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

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

	Interest rate risk				**Foreign exchange risk**			
	-100 bps		**+100 bps**		**-5% USD**		**-5% USD**	
2011	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Total increase/ (decrease)	(143)	(143)	143	143	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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42. FINANCIAL RISK MANAGEMENT (CONT.)

(d) Liquidity and cash flow risk

Liquidity risk is the risk that Qube will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

Financing arrangements

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

Floating rate	2012 $'000	2011 $'000
Expiring within one year	**–**	–
Expiring beyond one year	**236,811**	–
	236,811	–

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 years (2011: 3 years).

Maturity of financial liabilities

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

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

Consolidated As at 30 June 2011	Less than 1 month $'000	1–6 months $'000	6–12 months $'000	Greater than 1 year $'000
Trade and other payables	37,243	–	–	–
Provisions	2,130	28,069	–	6,724
Financial liabilities at fair value through profit or loss	–	43	–	–
Borrowings	632	3,160	3,791	103,099
Total financial liabilities	40,005	31,272	3,791	109,823

(e) Fair value estimation

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

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

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

(i) Fair value in an active market

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

Qube values its investments in accordance with the accounting policies set out in note 1(n). For the majority of its investments, Qube relies on information provided by independent pricing services for the valuation of its investments.

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

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

(ii) Fair value in an inactive or unquoted market

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

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

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

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

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

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

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

(f) Fair value hierarchy

Qube has adopted the amendments to AASB 7, effective 1 July 2009. This requires Qube to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT (CONT.)

The table below sets out Qube's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2012.

Consolidated As at 30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Equity securities	**996**	**–**	**–**	**996**
Unlisted investments	**–**	**–**	**–**	**–**
Total assets	**996**	**–**	**–**	**996**
Liabilities				
Derivative instruments	**–**	**2,662**	**–**	**2,662**
Total liabilities	**–**	**2,662**	**–**	**2,662**

Consolidated As at 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Equity securities	7,559	–	–	7,559
Unlisted investments	–	–	398,908	398,908
Total assets	7,559	–	398,908	406,467
Liabilities				
Options	43	–	–	43
Total liabilities	43	–	–	43

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

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. In the prior year Level 3 instruments included investments in unlisted logistics businesses. As observable prices were not available for these securities, Qube used valuation techniques to derive their fair value. Key assumptions used in these valuation techniques included the impact of changes in the company discount rate and EBITDA margin.

For investments in unlisted logistics businesses under level 3, if the discount rate used in the discounted cash flow valuation model was increased/decreased by +/ 1% this would have resulted in an increase/decrease in the fair value of:

	Unlisted Logistics Companies	
Consolidated	2012 $'000	2011 $'000
Opening balance	–	454,774
Assets acquired on consolidation	–	1,670
Assets consolidated and no longer classed as financial assets	–	(130,442)
Purchases	–	7,445
Gains and losses recognised in profit or loss	–	65,461
Closing balance	–	398,908
Total gains for the period included in profit or loss that relate to assets held at the end of the reporting period	–	47,647

There have been no transfers between levels for the year ended 30 June 2012 and 30 June 2011.

43. PARENT ENTITY FINANCIAL INFORMATION

Summary financial information

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

	2012 $'000	2011 $'000
Balance sheet		
Current assets	**76,744**	–
Total assets	**1,453,430**	–
Current liabilities	**3,871**	–
Total liabilities	**315,490**	–
Shareholders' equity		
Issued capital	**1,162,880**	–
Reserves		
Revaluation surplus – property, plant and equipment	**–**	–
Available-for-sale financial assets	**–**	–
Cash flow hedges	**–**	–
Share-based payments	**(23,026)**	–
Retained earnings/(losses)	**(1,914)**	–
	1,137,940	–
Profit or loss for the year	**31,111**	–
Total comprehensive income	**31,111**	–

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 40 to 99 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

S. Kaplan

Sam Kaplan
Director

SYDNEY
22 August 2012

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

Report on the financial report

We have audited the accompanying financial report of Qube Logistics Holdings Limited ("the company"), which comprises the consolidated balance sheet as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Qube Logistics Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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pwc

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Qube Logistics Holdings Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 24 to 36 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Qube Logistics Holdings Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
22 August 2012

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

As at 21 September 2012, the top 20 shareholders of Qube were as follows:

Rank	Name	Number of shares	% of capital
1	CIP Investments (UK) L P	128,982,461	14.00
2	HSBC Custody Nominees (Australia) Limited	115,969,003	12.59
3	National Nominees Limited	63,166,966	6.86
4	Kawasaki (Australia) Pty Limited	54,525,000	5.92
5	J P Morgan Nominees Australia Limited	53,529,117	5.81
6	Taverners No 10 Pty Ltd	46,908,652	5.09
7	Patterson Cheney Investments Pty Ltd	39,309,603	4.27
8	RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	36,333,498	3.94
9	Taverners No 10 Pty Ltd	24,117,292	2.62
10	Lutovi Investments Pty Ltd	16,790,283	1.82
11	Kaplan Partners Pty Limited	13,782,208	1.50
12	Mr Peter Giacci	13,560,241	1.47
13	Citicorp Nominees Pty Limited	13,445,769	1.46
14	BNP Paribas Noms Pty Ltd <Master Cust DRP>	13,168,026	1.43
15	Laddara Pty Limited	11,307,341	1.23
16	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	9,754,885	1.06
17	JP Morgan Nominees Australia Limited <Cash IncomE A/C>	5,296,103	0.57
18	RBC Investor Services Australia Nominees Pty Limited <PIIC A/C>	4,982,967	0.54
19	Osborne Share Investments Pty Limited	4,501,919	0.49
20	Liangrove Media Pty Ltd	4,117,293	0.45
Total		**673,548,627**	**73.10**

SUBSTANTIAL SHAREHOLDERS

As at 21 September 2012, Qube had received notification regarding the following substantial holders:

Substantial shareholder	Number of shares	Notice date	% of capital (as at notice date)
TC Group Infrastructure, L.L.C. and its controlled entities including but not limited to, CIP Investments (UK), L.P. (Limited Partnership No. LP 14315) by its general partner, Carlyle Infrastructure G.P., Ltd	128,982,461	16 Dec 2011	14.77
Wilh. Wilhelmsen Holding Invest Malta Limited (WWHI Malta)	76,000,000	8 Mar 2012	8.55
Taverners No. 10 Pty Ltd	66,908,777	2 Sep 2011	8.34
Kawasaki (Australia) Pty Limited and Kawasaki Kisen Kasiha Ltd	54,525,000	1 Dec 2011	6.79
Perpetual Limited and subsidiaries	49,109,218	22 May 2012	5.40

UNMARKETABLE PARCELS

As at 21 September 2012, details of parcels of Qube shares with a value of less than $500 were as follows:

	Minimum parcel size	Holders	Shares
Minimum $500.00 parcel at $1.4950 per share	335	284	22,506

SHAREHOLDER INFORMATION (CONT.)

DISTRIBUTION SCHEDULE

As at 21 September 2012, the distribution of holdings of Qube shares was as follows:

Range	Total holders	Shares	% of capital
1 – 1,000	717	337,130	0.04
1,001 – 5,000	1,802	5,655,959	0.61
5,001 – 10,000	1,619	12,895,665	1.40
10,001 – 100,000	2,850	82,693,296	8.97
100,001 and over	355	819,825,135	88.98
Total	7,343	921,407,185	100.00

RESTRICTED SECURITIES

Qube does not have any restricted securities.

UNQUOTED SECURITIES

Qube has no unquoted securities.

CURRENT ON-MARKET BUY-BACKS

There are no current on-market buy-backs of shares in Qube.

VOTING RIGHTS

Shareholders are entitled to one vote per ordinary share.

CORPORATE DIRECTORY

ABN 14 149 723 053

Directors

Chris Corrigan (Chairman)
Sam Kaplan (Deputy Chairman)
Maurice James (Managing Director)
Ross Burney
Allan Davies
Peter Dexter
Robert Dove
Yutaka Nakagawa
Aage Holm (Alternate Director)
Alan Miles (Alternate Director)
Simon Moore (Alternate Director)

Secretary

Paul Lewis

Principal registered office in Australia

Level 22
44 Market Street
Sydney NSW 2000

Telephone 02 9080 1900

Stock exchange listings

Qube Logistics Holdings Limited shares are listed on the Australian Securities Exchange (ASX).

Website address

www.qube.com.au

Share registry

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