Qube Logistics Holdings Limited ABN 14 149 723 053
Interim report - 31 December 2011

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Qube during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' report

Your directors present their report on the consolidated entity consisting of Qube Logistics Holdings Limited (Qube) and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

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

Chris Corrigan	(Non-executive Chairman)	
Sam Kaplan	(Non-executive Deputy Chairman)	
Maurice James	(Managing Director)	
Alan Davies	(Non-executive Director)	appointed 26 August 2011
Robert Dove	(Non-executive Director)	appointed 26 August 2011
Peter Dexter	(Non-executive Director)	appointed 1 September 2011
Yutaka Nakagawa	(Non-executive Director)	appointed 1 September 2011
Ross Burney	(Non-executive Director)	appointed 9 September 2011
Simon Moore	alternate to Robert Dove	appointed 7 November 2011
Aage Holm	alternate to Peter Dexter	appointed 7 November 2011
Alan Miles	alternate to Yutaka Nakagawa	appointed 7 November 2011

Dividend
The Directors have declared a fully franked dividend of 2.0 cents per share, an increase of approximately 5.3% on the prior comparable period distribution. This reflects the strong underlying profitability of Qube in the period and positive outlook.

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.

During the period to 31 December 2011, Qube completed a major 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 the 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 very 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 six months to 31 December 2011 are not comparable to the reported results for the six months to 31 December 2010, nor in the directors’ opinion do the results provide a reflection of the underlying profitability of Qube and its businesses over this period.

Review of operations (continued)

The table below provides a reconciliation of the net profit after tax of Qube to the adjusted EBITDA removing the cost impact of the restructure on the results for the six months to 31 December 2011.

	2011 $'000	2010 $'000
Statutory net profit after tax	**8,920**	**36,733**
Reverse tax credit	(22,732)	22,125
Net profit / (loss) before tax	(13,812)	58,858
Add: net interest expense / (income)	5,503	(56)
Add: Depreciation and amortisation	15,176	207
EBITDA	**6,867**	**59,009**
Less: Unrealised financial instrument gains	(156)	(54,631)
Add: Employee share plan expense	172	-
Add: Provision for performance fee	-	3,450
Adjusted EBITDA	**6,883**	**7,828**
Add: Termination payment	40,000	-
Add: Restructure costs	4,726	-
Add: Other related non-recurring items	2,754	-
Adjusted EBITDA after restructure related costs	**54,363**	**7,828**

The table above has been extracted from note 2 of the interim financial statements but is un-audited.

- **EBITDA** - is statutory net profit adjusted to remove the impact of income tax expense, finance costs and depreciation and amortisation.
- **Adjusted EBITDA** - is EBITDA adjusted for the effects of non-cash items such as unrealised gains and amortisation of employee share plan expense.
- **Adjusted EBITDA after restructure related costs** - is Adjusted EBITDA amended to remove the impact of the Qube Restructure and costs in FY12 associated with Qube's previous trust structure.

Qube's operating divisions both delivered strong results for the period reflecting organic growth and the contributions from recent acquisitions and development projects. Key highlights during the period included the acquisition of Mackenzie Intermodal by Qube Logistics (formerly POTA Holdings Pty Ltd) and the successful ramp up of operations at Qube Ports & Bulk's (formerly POAGS Pty Ltd) Utah Point facility at Port Hedland. The Utah Point facility is currently operating at annualised throughput of around 10 million tonnes and delivers an efficient logistics solution for a range of emerging mining companies.

Qube completed a placement in December 2011 that raised approximately $85 million to provide it with additional financing capacity to pursue growth initiatives.

Subject to economic conditions and the industrial relations environment, Qube is well positioned to continue to grow revenue and earnings for the remainder of the financial year, albeit the growth rate of revenue and earnings for Qube's operating businesses is expected to be lower than that achieved in the first half.

(a) Events subsequent to period end

Subsequent to period end, the Company acquired the 5.3% non-controlling interest in the business that forms the Qube Logistics division. The consideration comprised 15,848,214 Qube shares at $1.35 per share.

Subsequent to period end, the Company entered into an agreement to acquire 100% of Giacci Holdings Pty Limited (Giacci). The acquisition is subject to a small number of conditions and is expected to be completed by the end of March 2012. The purchase price is approximately $119 million of which around $18 million is deferred for two years and subject to adjustments based on the earnings of the business in the future. Additionally, Qube will assume net debt of approximately $26.6 million. The acquisition of Giacci will enhance Qube's ability to provide "mine to port" logistics solutions by significantly increasing Qube's bulk transport and storage capabilities.

Qube has entered into a 12 month $100 million bridge facility to assist in financing Qube's growth opportunities. It is expected this will be refinanced into a larger term debt facility in due course.

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 5.

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

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

Chris Corrigan
Director

Sydney
23 February 2012

Auditor's Independence Declaration

As lead auditor for the review of Qube Logistics Holdings Limited for the half year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

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

N R McConnell
Partner
PricewaterhouseCoopers

23 February 2012

Qube Logistics Holdings Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2011

	Notes	Half-year 31 Dec 2011 $'000	31 Dec 2010 $'000
Revenue from continuing operations		**347,419**	69,715
Employee benefits expense		**(117,511)**	-
Sub-contractors		**(43,860)**	-
Repairs and maintenance		**(16,848)**	-
Depreciation and amortisation expense		**(15,176)**	(207)
Fuel expense		**(24,651)**	-
Other motor vehicle costs		**(8,895)**	-
Operating leases		**(42,569)**	-
Rates and utilities		**(2,305)**	-
IT related expenses		**(2,288)**	-
Insurances		**(1,467)**	-
Finance costs		**(7,150)**	(1,853)
Professional fees		**(3,080)**	(1,095)
Termination payment		**(40,000)**	-
Investment manager's fees		**(2,171)**	(3,823)
Investment manager's performance fees		**-**	(3,450)
Restructure costs		**(4,726)**	-
Other expenses		**(35,216)**	(429)
Share of net profit of associates accounted for using the equity method		**6,682**	-
(Loss) / profit before income tax		**(13,812)**	58,858
Income tax (benefit) / expense		**(22,732)**	22,125
Profit for the half-year	3	**8,920**	36,733
Other comprehensive income for the half-year, net of tax		**-**	-
Total comprehensive income for the half-year		**8,920**	36,733
Total comprehensive income for the half-year is attributable to:			
Owners of Qube		**8,180**	36,733
Non-controlling interests		**740**	-
		8,920	36,733
		Cents	Cents
Earnings per share / unit for profit attributable to the ordinary equity holders of the company / trust:			
Basic earnings per share / unit		**1.02**	7.11
Diluted earnings per share / unit		**1.02**	7.11

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

	Notes	31 Dec 2011 $'000	30 June 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**142,208**	78,860
Trade and other receivables		**117,298**	63,585
Inventories		**2,442**	2,032
Financial assets at fair value through profit or loss		**-**	7,559
Total current assets		**261,948**	152,036
Non-current assets			
Receivables		**4,002**	4,002
Investments accounted for using the equity method		**254,810**	-
Financial assets at fair value through profit or loss		**1,058**	398,908
Derivative financial instruments		**139**	-
Property, plant and equipment		**234,231**	121,302
Investment properties		**48,158**	-
Deferred tax assets		**16,521**	6,098
Intangible assets	5	**511,439**	198,424
Total non-current assets		**1,070,358**	728,734
Total assets		**1,332,306**	880,770
LIABILITIES			
Current liabilities			
Trade and other payables		**75,891**	37,243
Borrowings	6	**37,065**	7,583
Financial liabilities at fair value through profit or loss		**-**	43
Current tax liabilities		**5,129**	-
Provisions		**31,681**	30,199
Total current liabilities		**149,766**	75,068
Non-current liabilities			
Borrowings	6	**162,908**	103,099
Derivative financial instruments		**711**	-
Deferred tax liabilities		**-**	9,492
Provisions		**7,318**	6,724
Total non-current liabilities		**170,937**	119,315
Total liabilities		**320,703**	194,383
Net assets		**1,011,603**	686,387
EQUITY			
Contributed equity	7	**950,125**	583,907
Reserves		**757**	20,589
Retained earnings		**56,317**	63,299
Capital and reserves attributable to the owners of Qube		**1,007,199**	667,795
Non-controlling interests		**4,404**	18,592
Total equity		**1,011,603**	686,387

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

		Attributable to owners					
	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-con-trolling interests $'000	Total equity $'000
Balance at 1 July 2010		**427,165**	**-**	**16,806**	**443,971**	**-**	**443,971**
Profit for the half-year		-	-	36,733	36,733	-	36,733
Total comprehensive income for the half-year		**-**	**-**	**36,733**	**36,733**	**-**	**36,733**
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs	7	38,012	-	-	38,012	-	38,012
Distributions provided for or paid	8	-	-	(7,729)	(7,729)	-	(7,729)
		38,012	-	(7,729)	30,283	-	30,283
Balance at 31 December 2010		**465,177**	**-**	**45,810**	**510,987**	**-**	**510,987**
Balance at 1 July 2011		**583,907**	**20,589**	**63,299**	**667,795**	**18,592**	**686,387**
Total comprehensive income for the half-year		**-**	**-**	**8,180**	**8,180**	**740**	**8,920**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	7	366,218	-	-	366,218	-	366,218
Dividends provided for or paid	8	-	-	(15,162)	(15,162)	(338)	(15,500)
Acquisition of options from senior management of subsidiaries		-	(8,751)	-	(8,751)	-	(8,751)
Transactions with non-controlling interests		-	(5,959)	-	(5,959)	(14,590)	(20,549)
Employee share scheme		-	(5,122)	-	(5,122)	-	(5,122)
		366,218	(19,832)	(15,162)	331,224	(14,928)	316,296
Balance at 31 December 2011		**950,125**	**757**	**56,317**	**1,007,199**	**4,404**	**1,011,603**

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

	Notes	Half-year **31 Dec 2011 $'000**	31 Dec 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**384,338**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(346,105)**	(1,416)
		38,233	(1,416)
Payments for financial assets at fair value through profit or loss		**-**	(3,018)
Proceeds from disposal of financial assets at fair value through profit or loss		**6,459**	7,398
Repayment of amounts from associates		**-**	5,505
Dividends and distributions received		**6,922**	9,528
Interest income		**1,558**	1,899
Other revenue		**599**	1,343
Finance costs paid		**(6,667)**	(1,894)
Income taxes paid		**(7,122)**	(2)
KFM termination fee paid		**(8,000)**	-
KFM performance fee paid		**(8,708)**	-
KFM management fee paid		**(3,021)**	(3,776)
Net cash inflow from operating activities		**20,253**	15,567
Cash flows from investing activities			
Cash inflow from acquisition		**28,381**	-
Payments for property, plant and equipment		**(26,097)**	-
Payments for businesses	9	**(21,038)**	-
Payments for acquisition of options		**(13,317)**	-
Payments for investments		**(9,923)**	-
Proceeds from sale of property, plant and equipment		**136**	-
Net cash (outflow) from investing activities		**(41,858)**	-
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	7	**83,775**	35,620
Proceeds from borrowings	6	**28,374**	-
Repayment of borrowings		**(7,000)**	-
Finance lease payments		**(6,040)**	-
Dividends/Distributions paid to security holders		**(13,818)**	(5,624)
Dividends paid to non-controlling interests in subsidiaries		**(338)**	-
Net cash inflow from financing activities		**84,953**	29,996
Net increase in cash and cash equivalents		**63,348**	45,563
Cash and cash equivalents at the beginning of the half-year		**78,860**	23,166
Cash and cash equivalents at end of the half-year		**142,208**	68,729

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

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

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, the internalisation of management was implemented on 31 August and the acquisitions finalised on 1 September 2011.

Corporatisation comprised the interposition of a new holding company, Qube Logistics Holdings Limited (Qube), between existing unitholders and the Qube Logistics Trust (Qube Trust) which was completed on 30 August 2011.

On 30 August 2011, Qube Trust restructured from a trust to a company whereby unitholders were given one ordinary share in the Company (Qube) 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.

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.

The comparative information from 1 July 2010 to 31 December 2010 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.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011, Qube Unitholder Booklet & Prospectus dated 12 July 2011 and any public announcements made by Qube Logistics Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Subject to the comments above and except for the following additional accounting policies adopted during the current interim reporting period, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Principles of consolidation

(i) 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.

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

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.

1 Basis of preparation of half-year report (continued)

(a) Principles of consolidation (continued)

(ii) Joint ventures

Joint venture entities

The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in the profit or loss.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(b) Derivatives

(i) Derivatives that do not qualify for hedge accounting

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 derivative instruments held by the group do not qualify for hedge accounting. Subsequent changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

The fair values of various derivative financial instruments are disclosed in note 4. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the derivative instrument is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the derivative instrument is less than 12 months. Trading derivatives are classified as a current asset or liability.

(c) Investment properties

Investment properties, comprising freehold storage, warehousing and land, are held for long-term rental yields and are not occupied by the group. Investment properties are carried at fair value, which is 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. These valuations are reviewed annually by the directors. Changes in fair values are recorded in the profit or loss.

(d) Impacts of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

*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 for annual reporting periods beginning on or after 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. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

In the current reporting period, the group did not recognise such gains in other comprehensive income.

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.

1 Basis of preparation of half-year report (continued)

(d) Impacts of standards issued but not yet applied by the entity (continued)

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.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

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.

2 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used 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 bulk logistics activities are aimed at offering customers a comprehensive logistics solution from mine to port 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 (30%) 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

(b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the half-year ended 31 December 2011 is as follows:

Half-year 31 Dec 2011	Logistics	Ports & Bulk	Strategic Assets	All other segments	Total
Total segment revenue	244,739	98,959	2,664	1,057	347,419
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	**244,739**	**98,959**	**2,664**	**1,057**	**347,419**
Adjusted EBITDA	**32,470**	**21,131**	**3,500**	**(2,738)**	**54,363**
Half-year 31 Dec 2010					
Total segment revenue	22,959	44,503	881	1,372	69,715
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	**22,959**	**44,503**	**881**	**1,372**	**69,715**
Adjusted EBITDA	**1,303**	**5,482**	**2,005**	**(962)**	**7,828**
Total segment assets:					
31 Dec 2011	443,043	612,051	131,497	145,715	1,332,306
30 June 2011	412,671	308,623	101,734	57,742	880,770

2 Segment information (continued)

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

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/(losses) on financial instruments.

A reconciliation of adjusted EBITDA to operating (loss) / profit before income tax is provided as follows:

	Half-year	
	31 Dec 2011 $'000	31 Dec 2010 $'000
Adjusted EBITDA	**54,363**	7,828
Interest income	**1,647**	1,909
Finance costs	**(7,150)**	(1,853)
Depreciation and amortisation expense	**(15,176)**	(207)
Unrealised financial instrument gains	**156**	54,631
Employee share plan expense	**(172)**	-
Provision for performance fee	-	(3,450)
Termination payment	**(40,000)**	-
Restructure costs	**(4,726)**	-
Other non-recurring items	**(2,754)**	-
(Loss) / profit before income tax from continuing operations	**(13,812)**	58,858

3 Profit for the half-year

	Half-year	
	31 Dec 2011 $'000	31 Dec 2010 $'000
Profit for the half-year includes the following items that are significant because of their nature, size or incidence:		
Gains		
Net gain on fair value of financial instruments through the profit and loss	**-**	53,017
Less: Applicable income tax expense	**-**	(15,905)
	-	37,112
Expenses		
Termination of KFM Management Agreement	**(40,000)**	-
Less: Applicable income tax	**2,400**	-
	(37,600)	-
Qube Restructure costs	**(4,726)**	-
Less: Applicable income tax benefit	**1,418**	-
	(3,308)	-
Provision for Performance fee	**-**	(3,450)
Less: Applicable income tax benefit	**-**	1,035
	-	(2,415)
Amortisation of Customer contracts	**(3,026)**	-
Less: Applicable income tax benefit	**908**	-
	(2,118)	-

4 Financial assets and liabilities at fair value through profit or loss

As a result of the "Qube Restructure" in the half-year ended 31 December 2011, Qube no longer accounts for its logistics investments on the basis of fair value but rather equity accounts its share of the associates' profit after tax and reserves. Therefore, these investments have been reclassified from level 3 to equity accounted investments.

The following table presents the group's assets and liabilities measured and recognised at fair value at 31 December 2011 and 30 June 2011.

At 31 December 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Non-current Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	**-**	**-**	**-**	**-**
Listed securities	**1,058**	**-**	**-**	**1,058**
Derivatives	**-**	**139**	**-**	**139**
Total non-current assets	**1,058**	**139**	**-**	**1,197**
Non-current Liabilities				
Derivatives	**-**	**711**	**-**	**711**
Total non-current liabilities	**-**	**711**	**-**	**711**

At 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Current Assets				
Financial assets at fair value through profit or loss				
Equity securities	7,559	-	-	7,559
Total current assets	7,559	-	-	7,559
Non-current Assets				
Unlisted logistics investments	-	-	398,908	398,908
Total non-current assets	-	-	398,908	398,908
Current liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives	43	-	-	43
Total current liabilities	43	-	-	43

The following table presents the changes in level 3 instruments for the half-year ended 31 December 2011:

	Unlisted logistics investments $'000	**Trading derivatives at fair value through profit or loss** $'000	**Contingent consideration** $'000	**Total** $'000
Opening balance 1 July 2011	**398,908**	**-**	**-**	**398,908**
Reclassified as equity accounted investments	**(222,418)**	**-**	**-**	**(222,418)**
Derecognised on acquisition of subsidiaries	**(176,490)**	**-**	**-**	**(176,490)**
Closing balance 31 December 2011	**-**	**-**	**-**	**-**

5 Intangible assets

	Goodwill $'000	Customer Contracts $'000	Operating Rights $'000	Total $'000
At 1 July 2010				
Cost	1,889	-	7,609	9,498
Accumulated amortisation	-	-	(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
Acquisition of business	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	-	-	(857)	(857)
Net book amount	191,672	-	6,752	198,424
Half-year ended 31 December 2011				
Opening net book amount	**191,672**	**-**	**6,752**	**198,424**
Reclassification	**(18,500)**	**18,500**	**-**	**-**
Finalisation of acquisition accounting	**5,550**	**-**	**-**	**5,550**
Acquisition of business (note 9)	**280,397**	**30,300**	**-**	**310,697**
Amortisation charge	**-**	**(3,026)**	**(206)**	**(3,232)**
Closing net book amount	**459,119**	**45,774**	**6,546**	**511,439**
At 31 December				
Cost	**459,119**	**48,800**	**7,609**	**515,528**
Accumulated amortisation	**-**	**(3,026)**	**(1,063)**	**(4,089)**
Net book amount	**459,119**	**45,774**	**6,546**	**511,439**

6 Borrowings

Qube assumed floating rate borrowings upon the group making acquisitions during the half-year reporting period ended 31 December 2011. Details are as follows:

Entity acquired	Minto Properties Pty Ltd
Facility Amount Owing	$10,600,000
Repayment date	31 December 2011*

* - Subsequently refinanced to a $25,050,000 facility with an expiry date of 22 August 2013

Entity acquired	POAGS Pty Ltd
Facility Amount Owing	$15,000,000
Repayment date	27 August 2012

Entity acquired	POAGS Pty Ltd
Facility Amount Owing	$27,500,000
Repayment date	28 February 2014

Entity acquired	POAGS Pty Ltd
Facility Amount Owing	$5,500,000
Repayment date	27 August 2015

7 Equity securities issued

	31 Dec 2011 Shares (unless otherwise specified)	31 Dec 2010 Units	31 Dec 2011 $'000	31 Dec 2010 $'000
Opening balance as at 1 July	**610,839,329**	468,434,591	**583,907**	427,165
Issues of ordinary shares/units during the half-year				
Rights issue	**-**	46,838,618	**-**	35,908
Qube Restructure - redemption of units	**(610,839,329)**	-	**(583,907)**	-
Qube Restructure - corporatisation	**610,839,330**	-	**583,907**	-
Qube Restructure - internalisation	**23,094,688**	-	**32,000**	-
Qube Restructure - acquisitions	**164,093,576**	-	**234,654**	-
KFM Performance fee payment	**6,613,759**	-	**8,708**	-
Management ELTIP	**3,900,000**	-	**5,294**	-
Placement	**63,909,774**	-	**85,000**	-
Issued for no consideration:				
Dividend / Distribution reinvestment plan issues	**1,105,303**	2,594,820	**1,419**	2,104
Less:				
Transaction costs arising on share issue			**(1,225)**	-
Deferred tax credit recognised directly in equity			**368**	-
	873,556,430	517,868,029	**950,125**	465,177

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 Logistics Holdings Limited (Qube) acquiring 100% of the issued units of Qube Logistics Trust (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, accordingly, the consolidated financial statements of Qube have been prepared as a continuation of the consolidated financial statements of Qube Trust.

Consideration in 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 legal parent entity (Qube). 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.

8 Dividends / Distributions

	Half-year 31 Dec 2011 $'000	Half-year 31 Dec 2010 $'000
(a) Ordinary shares / units		
Dividends / Distributions provided for or paid during the half-year	**15,162**	7,729
(b) Dividends / Distributions not recognised at the end of the half-year		
In addition to the above dividends / distributions, since the end of the half-year the directors have declared an interim dividend of 2.0 cents per fully paid ordinary share (2010 – 1.9 cents), fully franked. The aggregate amount of the proposed dividend expected to be paid on 4 April 2012 out of retained earnings at 31 December 2011, but not recognised as a liability at the end of the half-year, is	**17,471**	9,839

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.

9 Business combination

(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	2,000
Total purchase consideration	18,000

The provisionally 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 & receivables	3,326
Inventories	39
Plant and equipment	12,081
Investments	1,616
Bank overdraft	(346)
Trade payables	(1,497)
Other payables	(255)
Tax payable	(719)
Provision for employee benefits	(843)
Lease liabilities	(8,122)
Net identified assets acquired	5,483
Add: goodwill	12,517
Net assets acquired	18,000

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. None of the goodwill is expected to be deductible for tax purposes.

(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. Actual consideration payable ranges between $1,250,000 to $2,000,000 and is dependent on satisfaction of certain conditions.

(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 $15,476,000 and net profit after tax of $1,065,000 to the group for the period from 6 July 2011 to 31 December 2011.

9 Business combination (continued)

(b) Acquisition of K-POAGS

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, the parent entity of POAGS Pty Ltd, 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, this being the price on the date of Qube obtaining control. The shares were issued on 1 September 2011.

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	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 & receivables	43,537
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	(6,014)
Other liabilities	(4,258)
Net identified assets acquired	65,237
Add: goodwill	267,880
Net assets acquired	333,117

The goodwill is attributable to POAGS's national presence, strong position and profitability in providing stevedoring, facilities management and vehicle processing services in the import and export of non-containerised cargo market. None of the goodwill is expected to be deductible for tax purposes.

(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 $98,995,000 and net profit after tax of $7,246,000 to the group for the period to 31 December 2011. If the acquisition had occurred on 1 July 2011, revenue and profit after tax for the half-year ended 31 December 2011 would have been $150,591,000 and $10,710,000 respectively.

10 Contingencies

(a) Contingent liabilities

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 subsidiaries have given a total of $3,632,000 in bank guarantees on behalf of its controlled entities relating to certain contractual obligations.

11 Related party transactions

Under the Investment Management Agreement dated 17 November 2006 with the Responsible Entity, Kaplan Funds Management Pty Limited ("KFM") was appointed as investment manager for Qube Trust. Under the terms of this agreement KFM was entitled to management fees based on the gross asset value of Qube Trust.

KFM was paid management fees for the period 1 July 2011 up to the termination date which totalled $2,170,959 (2010: $3,822,768).

During the half-year ended 31 December 2011, Qube Logistics Holdings Limited entered into an agreement with KFM to terminate the management services provided by KFM with effect from 31 August 2011. The termination fee of $40 million (excluding GST) was approved by unitholders as part of their approval of the Qube Restructure on 18 August 2011. The termination fee liability was satisfied via the payment of $8 million in cash and $32 million through the issue of 23,094,688 Qube shares at $1.3875 per share.

In addition, KFM was paid the performance fee owing to it in relation to year ended 30 June 2011 of $17.4 million. The liability was satisfied 50% through the payment of cash and the balance through the issue of 6,613,759 Qube Shares at a price of $1.3167 per share.

The Responsible Entity fees paid to The Trust Company (RE Services) Limited during the period totalled $97,644 (2010: $63,818).

12 Events occurring after the reporting period

Subsequent to period end, the Company acquired the 5.3% non-controlling interest in the business that forms the Qube Logistics division. The consideration comprised 15,848,214 Qube shares at $1.35 per share.

Subsequent to period end, the Company entered into an agreement to acquire 100% of Giacci Holdings Pty Limited (Giacci). The acquisition is subject to a small number of conditions and is expected to be completed by the end of March 2012. The purchase price is approximately $119 million of which around $18 million is deferred for two years and subject to adjustments based on the earnings of the business in the future. Additionally, Qube will assume net debt of approximately $26.6 million. The acquisition of Giacci will enhance Qube's ability to provide "mine to port" logistics solutions by significantly increasing Qube's bulk transport and storage capabilities.

Qube has entered into a 12 month $100 million bridge facility to assist in financing Qube's growth opportunities. It is expected this will be refinanced into a larger term debt facility in due course.

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 20 are in accordance with the *Corporations Act 2001*, including:

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

    (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Chris Corrigan
Director

Sydney
23 February 2012

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Qube Logistics Holdings Limited (the company), which comprises the consolidated balance sheet as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Qube Logistics Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Qube Logistics Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
23 February 2012