Qube Holdings Limited ABN 14 149 723 053
Interim report - 31 December 2013

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 2013 and any public announcements made by Qube Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' report

Your directors present their report on the consolidated entity consisting of Qube Holdings Limited (Qube), and the entities it controlled at the end of, or during, the half year ended 31 December 2013.

Directors
The following persons were directors of Qube 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)
Ross Burney	(Non-executive Director)
Allan Davies	(Non-executive Director)
Peter Dexter	(Non-executive Director)
Robert Dove	(Non-executive Director)
Alan Miles	(Non-executive Director)
Aage Holm	Alternate to Peter Dexter
Yoshiaki Kato	Alternate to Alan Miles
Simon Moore	Alternate to Robert Dove

Dividend
The Directors have declared a fully franked interim dividend of 2.4 cents per share payable on 4 April 2014.

Review of operations

Overview
Qube continued its record of delivering revenue and earnings growth across each of its divisions in the half year ended 31 December 2013, with statutory revenue increasing by 11% to $581.5 million (2012: $526.2 million) and statutory earnings per share increasing by 18% to 4.43 cents (2012: 3.76 cents).

Underlying earnings per share, which excludes the impact of non-cash and non-recurring items, increased by 9% to 4.53 cents (2012: 4.16 cents).

A reconciliation between statutory and underlying results is provided in note 2 to these financial statements.

The interim dividend payable was increased by 9% to 2.4 cents reflecting the strong financial performance in the period.

Qube continued to diversify and grow its business by developing innovative solutions and investing in technology, equipment and facilities to support its customers' requirements and deliver value added logistics solutions.

Qube anticipates undertaking further investment in the second half of FY 14 to support new contracts, product and geographic diversification and enhance the service capability of the Company.

Logistics Division

The Logistics division achieved revenue and earnings growth despite subdued economic conditions and container volume growth at below historical growth rates.

Underlying revenue grew by 10% to $301.1 million (2012: $272.5 million), and underlying earnings (EBITA) increased by 6% to $31.1 million (2012: $29.3 million).

The revenue growth achieved in the period reflected organic growth across the business as well as a full period's contribution from the MIST/ITG acquisition compared to 4 months in the prior corresponding period.

In early December 2013, the acquisition of IML Logistics (IML) was completed. IML delivers mining and resource project logistics, specialised transport for energy utilities, container logistics, warehousing and distribution services to a range of organisations in Western Australia. The acquisition provides additional scale and synergies for Qube's existing Western Australian operations.

During the period, reduced grain volumes were hauled by rail as a result of the very dry conditions in northern NSW; reduced project/general cargo volumes were hauled by road in Queensland because of resource project deferrals, and the final stage of the Victoria Dock development was deferred for a short period. These factors contributed to a small decline in the EBITA margin to 10.3% compared to 10.8% in the prior corresponding period.

Several new rail contracts servicing the rural commodity sector were finalised at the end of the period and in early January 2014 which are expected to contribute to revenue and earnings growth in the second half of FY 14.

Ports & Bulk Division

The Ports & Bulk division significantly improved its earnings with margin improvement in the period compared to the prior corresponding period.

Underlying revenue grew by 10% to $265.1 million (2012: $240.9 million), and underlying earnings (EBITA) increased by 17% to $34.2 million (2012: $29.3 million). The EBITA margin improved to12.9% from 12.2% as a result of improved asset utilisation and continued cost focus.

The result was supported by record volumes across Qube's bulk logistics activities which cover terminals, stevedoring and transport. The diversified nature of these operations by product, customer, service and geography enabled both revenue growth and margin improvement despite continued pockets of weakness in certain commodities.

The ports activities were mixed with continued strength in vehicle imports being offset by weakness in project and general cargo, particularly imported steel.

The half year to 31 December 2013 saw Qube expand its logistics services to the oil and gas sector through a new contract with Chevron to provide stevedoring services for barges between Fremantle and Barrow Island which has delivered significant efficiencies to the customer.

During the period, Qube also commenced the construction of a major new barge transfer facility at Dampier underpinned by a contract with Yara Pilbara Nitrates.

Qube has invested in equipment and facilities to support these contracts and expects to progressively increase its earnings from oil and gas related logistics activities over the short to medium term.

Associates
As previously foreshadowed, the contribution from Qube Ports & Bulk's associate investments declined over the period with Qube's share of the underlying profit after tax of the associates decreasing by around 20% to $7.0 million (2012: $8.7 million).

This was largely due to a decline in project cargo in North Queensland which impacted Northern Stevedoring Services (NSS), and a reduction in the import of mobile mining equipment due to the slow-down in mining activity and lower general cargo volumes which impacted Australian Amalgamated Terminal's (AAT) results.

During the period Prixcar Services (Prixcar), in which Qube has a 25% interest, was successful in the tender for additional facilities at Webb Dock in Melbourne for its pre-delivery inspection (PDI) storage and processing activities.

Qube's 50% associate AAT has been shortlisted for the right to construct and operate an expanded automotive terminal facility to be developed at Webb Dock as part of the Melbourne port capacity projects.

Strategic Assets

The properties in the Strategic Assets division continued to generate stable income during the period from the existing tenants. The underlying revenue and EBITA in the division increased by around 18% and 17% respectively compared to the prior corresponding period. This strong growth mainly reflects higher lease rentals from the Moorebank property lease extension that applied from 26 March 2013 onwards.

During the period, Qube reached agreement with the Council to acquire the part of Culverston Road which runs between its two Strategic Asset properties at Minto. The acquisition will enable Qube to close the road and consolidate the properties into a single larger site, thereby creating significant potential future efficiencies and value. Qube also finalised the 2 year lease extension to August 2016 with the tenant on the Minto Properties.

In December 2013, the Moorebank Intermodal Company (MIC), an entity established and funded by the Commonwealth Government, issued calls for an expression of interest (EOI) for the development and operation of interstate and import–export rail terminals and related logistics activities on its property at Moorebank.

The EOI sought proposals to develop these assets on MIC's land or together with adjoining land under a single master plan. Moorebank Industrial Property Trust (MIPT), a trust owned 67% by Qube and 33% by Aurizon, owns an adjoining 83ha site.

Qube is participating in this process and believes a whole of precinct solution will provide the most efficient logistics outcome, and deliver an intermodal rail solution in the shortest possible timeframe.

Corporate and Other

Corporate costs increased in the period by around $2.0 million to $5.9 million (2012: $3.9 million), largely as a result of the centralisation of certain Safety, Health and Environment (SHE) functions within the division as well as project costs incurred with Qube's participation in the Melbourne port capacity projects including the Webb Dock Container Terminal tender.

Decisions on the Webb Dock automotive tender and container terminal tender are expected by June 2014.

Funding and Leverage

Qube finished the period in a strong financial position with cash and undrawn debt facilities of around $200 million (June 2013: $260 million), and a leverage ratio (net debt / net debt plus equity) of 32.2% (June 13: 30.4%), being near the bottom of its target range of 30%-40%. This provides Qube with significant funding capacity to support future growth.

At 31 December 2013, Qube had net debt of approximately $515 million, an increase of approximately $50 million from the position at 30 June 2013. The additional debt was used to fund capex and acquisitions in the period including trucks, mobile harbour cranes, the Dampier Transfer Facility, the Victoria Dock development and the IML Logistics acquisition.

Qube's net interest expense benefitted from the revised pricing achieved in the refinancing completed in August 2013.

Summary and Outlook

Qube continued to deliver growth across its businesses in the half year to 31 December 2013 with all divisions delivering record results. Qube's record results reflect the benefits of scale, continued investment as well as an ongoing focus on cost control.

Qube was able to deliver organic growth in its core markets despite a subdued economic environment, and also expanded its activities in two areas being the oil and gas sector and rural commodities where it sees strong growth prospects.

Qube continues to seek opportunities to diversify and grow its business through the use of its logistics expertise to develop innovative solutions and through a willingness and capacity to invest to support its customers' requirements.

In the half year to 30 June 2014, Qube expects continued revenue growth as well as margin improvement in both divisions compared to the prior corresponding period.

Subject to no deterioration in economic conditions, Qube expects that underlying earnings per share in the half year to 30 June 2014 will be higher than the underlying earnings per share achieved in the half year ended 31 December 2013.

Qube remains well positioned to continue to deliver sustainable revenue and earnings growth.

Matters subsequent to the end of the period
Since the end of the half year no events have occurred which would materially impact on the financial position of the Group disclosed in the balance sheet as at 31 December 2013 or on the results and cash flows of the Group, for the financial period ended on that date and up to and including the date of this report.

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
20 February 2014

pwc

Auditor's Independence Declaration

As lead auditor for the review of Qube Holdings Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
20 February 2014

	Notes	31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue from continuing operations			
Revenue from sales and services	3	**564,158**	511,775
Other income	3	**17,360**	14,425
Total income		**581,518**	526,200
Direct transport and logistics costs		**152,799**	148,722
Repairs and maintenance costs		**35,693**	25,683
Employee benefits expense	4	**200,431**	191,299
Fuel, oil and electricity costs		**52,600**	39,147
Occupancy and property costs		**30,288**	25,243
Depreciation and amortisation expense	4	**31,270**	28,522
Professional fees		**5,901**	4,647
Other expenses		**5,637**	2,146
Total expenses		**514,619**	465,409
Finance income		**672**	1,829
Finance costs	4	**(14,824)**	(18,991)
Net finance costs		**(14,152)**	(17,162)
Share of net profit of associates accounted for using the equity method	5	**6,803**	8,924
Profit before income tax		**59,550**	52,553
Income tax expense		**16,183**	16,096
Profit for the half year		**43,367**	36,457
Other comprehensive income for the half year, net of tax			
Items that may be reclassified to profit or loss		**-**	-
Items that will not be reclassified to profit or loss		**-**	-
Total comprehensive income for the half year		**43,367**	36,457
Total comprehensive income for the half year is attributable to:			
Owners of Qube		**41,187**	34,662
Non-controlling interests		**2,180**	1,795
		43,367	36,457
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**4.43**	3.76
Diluted earnings per share		**4.43**	3.76

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

	Notes	31 Dec 2013 $'000	30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**57,557**	57,729
Trade and other receivables		**186,585**	165,847
Inventories		**2,927**	3,511
Total current assets		**247,069**	227,087
Non-current assets			
Trade and other receivables		**948**	2,649
Financial assets at fair value through profit or loss		**934**	840
Investments accounted for using the equity method	5	**199,727**	197,424
Property, plant and equipment		**572,799**	513,622
Investment properties		**295,789**	293,431
Intangible assets	6	**608,123**	605,137
Other assets		**728**	728
Total non-current assets		**1,679,048**	1,613,831
Total assets		**1,926,117**	1,840,918
LIABILITIES			
Current liabilities			
Trade and other payables		**95,348**	96,337
Borrowings		**14,333**	18,169
Derivative financial instruments		**116**	449
Current tax payable		**12,941**	10,234
Provisions		**48,925**	52,764
Other		**7,955**	3,006
Total current liabilities		**179,618**	180,959
Non-current liabilities			
Trade and other payables		**8,734**	2,668
Borrowings		**556,529**	502,781
Derivative financial instruments		**737**	1,274
Deferred tax liabilities		**3,396**	2,145
Provisions		**9,257**	9,008
Total non-current liabilities		**578,653**	517,876
Total liabilities		**758,271**	698,835
Net assets		**1,167,846**	1,142,083
EQUITY			
Contributed equity	7	**1,032,561**	1,031,260
Reserves		**(33,337)**	(34,843)
Retained earnings		**86,469**	66,240
Capital and reserves attributable to the owners of Qube		**1,085,693**	1,062,657
Non-controlling interests		**82,153**	79,426
Total equity		**1,167,846**	1,142,083

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-controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2012		**1,019,583**	**(34,138)**	**27,903**	**1,013,348**	**77,892**	**1,091,240**
Profit for the half year		-	-	34,662	34,662	1,795	36,457
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the half year		**-**	**-**	**34,662**	**34,662**	**1,795**	**36,457**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	7	4,434	-	-	4,434	1,333	5,767
Dividends provided for or paid	10	-	-	(19,015)	(19,015)	-	(19,015)
Transactions with non-controlling interests		-	-	-	-	(1,976)	(1,976)
Employee share scheme		3,090	(2,130)	-	960	-	960
		7,524	(2,130)	(19,015)	(13,621)	(643)	(14,264)
Balance at 31 December 2012		**1,027,107**	**(36,268)**	**43,550**	**1,034,389**	**79,044**	**1,113,433**
Balance at 1 July 2013		**1,031,260**	**(34,843)**	**66,240**	**1,062,657**	**79,426**	**1,142,083**
Profit for the half year		-	-	41,187	41,187	2,180	43,367
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the half year		**-**	**-**	**41,187**	**41,187**	**2,180**	**43,367**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	7	4,741	-	-	4,741	2,544	7,285
Acquisition of treasury shares	7	(3,440)	-	-	(3,440)	-	(3,440)
Dividends provided for or paid	10	-	-	(20,958)	(20,958)	-	(20,958)
Transactions with non-controlling interests		-	-	-	-	(1,997)	(1,997)
Employee share scheme		-	1,506	-	1,506	-	1,506
		1,301	1,506	(20,958)	(18,151)	547	(17,604)
Balance at 31 December 2013		**1,032,561**	**(33,337)**	**86,469**	**1,085,693**	**82,153**	**1,167,846**

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

	Notes	**31 Dec 2013 $'000**	31 Dec 2012 $'000
Cashflows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**629,657**	534,401
Payments to suppliers and employees (inclusive of goods and services tax)		**(544,699)**	(464,095)
		84,958	70,306
Dividends received		**4,516**	6,141
Interest income		**672**	2,321
Other revenue		**277**	253
Interest paid		**(16,754)**	(18,519)
Income taxes paid		**(12,558)**	(14,397)
Net cash inflow from operating activities		**61,111**	46,105
Cashflows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		**(11,307)**	(47,132)
Payments for property, plant and equipment		**(80,429)**	(101,618)
Payments for settlement of contingent consideration		**-**	(5,500)
Payments for investment property development expenditure		**(1,759)**	(4,060)
Payments for investment in associates	5	**-**	(20,000)
Proceeds from sale of property, plant and equipment		**2,360**	1,234
Net cash (outflow) from investing activities		**(91,135)**	(177,076)
Cashflows from financing activities			
Proceeds from the issue of units to non-controlling interests		**1,284**	1,333
Payments for treasury shares		**(2,985)**	-
Proceeds from borrowings		**73,500**	100,000
Repayment of borrowings		**(10,000)**	(11,588)
Finance lease payments		**(12,785)**	(13,016)
Dividends paid to shareholders		**(16,217)**	(14,915)
Distributions paid to non-controlling interests in subsidiaries		**(2,945)**	(2,632)
Net cash inflow from financing activities		**29,852**	59,182
Net decrease in cash and cash equivalents		**(172)**	(71,789)
Cash and cash equivalents at the beginning of the half year		**57,729**	118,565
Cash and cash equivalents at end of the half year		**57,557**	46,776

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

1 Basis of preparation of half year report

Qube Holdings Limited (the Company), is a company domiciled in Australia. The consolidated interim financial report of the Company for the half year ended 31 December 2013 comprises the Company and its controlled entities (the Group) and the Group's interests in associates.

The consolidated interim financial report is presented in Australian dollars and has been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and investment properties that have been measured at fair value at reporting date.

The consolidated interim financial report was approved by the Directors on 20 February 2014.

Statement of compliance

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

The consolidated interim financial report does not include all of the information required for an annual financial report and should be read in conjunction with the financial report of the Group for the year ended 30 June 2013. The Company is a company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Comparative information - change in presentation

Consistent with its disclosure at 31 December 2013, the Company has changed the classification of some of its income and major expense items in the statement of comprehensive income to better reflect the operations of the Group. The comparative information has been reclassified accordingly and there is no change to the net result.

Significant accounting policies

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are the same as those applied by the Group in the financial report for the year ended 30 June 2013 and the corresponding interim reporting period except as set out below:

(a) Contributed equity – treasury shares

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or an employee share-based incentive plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of Qube Holdings Limited as treasury shares until the shares are cancelled, granted to employees under the terms of the employee share based incentive plan or reissued. Where any such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Qube Holdings Limited.

(b) Changes in accounting policy

Qube Holdings Limited had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:
- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*, and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the December 2013 half year report are AASB 13 *Fair Value Measurement*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards have introduced new disclosures for the interim report but did not affect the entity's accounting policies or any of the amounts recognised in the financial statements.

i) Principles of consolidation – subsidiaries and joint arrangements
AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities.* Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

1 Basis of preparation of half year report (continued)

(b) Changes in accounting policy (continued)

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Qube Holdings Limited has assessed the nature of its joint arrangements and determined it has joint ventures.

The accounting for the Group's joint ventures has not changed as a result of the adoption of AASB 11. The Group continues to account for its interests in joint ventures using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in the Group's profit or loss and other comprehensive income respectively.

(ii) Employee benefits

The revised standard has changed the accounting for the Group's annual leave obligations, as the entity does not expect all annual leave to be taken within 12 months of the respective service being provided. Accordingly those annual leave obligations not expected to be taken within 12 months are now classified as long-term employee benefits in their entirety.

This did change the measurement of these obligations, as the obligations are now measured on a discounted basis. However, the impact of this change was immaterial.

(c) Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its financial liabilities that are designated at fair value through profit or loss, as AASB 9 will require measurement and disclosure of the impact of that liability's credit risk.

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.

2 Segment information

(a) Description of segments

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

Logistics

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

Ports & Bulk

This division has two core activities comprising port and bulk logistics. It is focused on the provision of a range of logistics services relating to the import and export of mainly non-containerised freight, with a major focus on automotive, bulk and break bulk products.

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

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

Strategic Assets

This division currently comprises Qube's interest in the Moorebank Industrial Property Trust (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).

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.

Corporate & Other

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

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

2 Segment information (continued)

(b) Segment information provided to the Board

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

Half year ended 31 December 2013	**Logistics $'000**	**Ports & Bulk $'000**	**Strategic Assets $'000**	**Corporate & Other $'000**	**Total $'000**
Revenue from external customers	**301,100**	**265,111**	**15,160**	**147**	**581,518**
Underlying adjustments (net)	-	-	-	(147)	(147)
Underlying Revenue	**301,100**	**265,111**	**15,160**	**-**	**581,371**

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

Net profit/(loss) before income tax	**28,787**	**37,386**	**8,816**	**(15,439)**	**59,550**
Share of profit of associates	(150)	(6,653)	-	-	(6,803)
Interest income	(197)	(223)	(75)	(177)	(672)
Interest expense	601	1,460	3,367	10,266	15,694
Fair value of derivatives	-	-	(436)	(434)	(870)
Depreciation & amortisation	12,792	18,270	205	3	31,270
EBITDA	**41,833**	**50,240**	**11,877**	**(5,781)**	**98,169**
Legacy incentive schemes	1,155	200	-	-	1,355
Fair value adjustments (net)	-	-	-	(93)	(93)
Underlying EBITDA	**42,988**	**50,440**	**11,877**	**(5,874)**	**99,431**
Depreciation	(11,910)	(16,254)	-	(3)	(28,167)
Underlying EBITA	**31,078**	**34,186**	**11,877**	**(5,877)**	**71,264**
Amortisation	(882)	(2,016)	(205)	-	(3,103)
Underlying EBIT	**30,196**	**32,170**	**11,672**	**(5,877)**	**68,161**
Interest expense (net)	(405)	(1,237)	(3,291)	(10,089)	(15,022)
Underlying share of profit of associates	150	6,966	-	-	7,116
Underlying net profit before income tax	**29,941**	**37,899**	**8,381**	**(15,966)**	**60,255**
Income tax expense	(8,938)	(9,280)	(2,514)	4,790	(15,942)
Underlying net profit for the half year	**21,003**	**28,619**	**5,867**	**(11,176)**	**44,313**
Non-controlling interests	-	-	(2,180)	-	(2,180)
Underlying net profit after tax attributable to members	**21,003**	**28,619**	**3,687**	**(11,176)**	**42,133**
Underlying earnings per share (cents per share)					4.53c
Total segment assets	**664,858**	**935,387**	**308,074**	**17,798**	**1,926,117**
Total assets includes:					
Investments in associates	2,456	197,271	-	-	199,727
Additions to non-current assets (other than financial assets and deferred tax)	38,281	57,585	1,759	6	97,631
NCI Share of total assets	-	-	82,781	-	82,781
Total segment liabilities	**83,923**	**122,142**	**121,554**	**430,652**	**758,271**

Underlying Information is determined as follows:

Underlying revenues and expenses are statutory revenues and expenses adjusted to exclude non-cash and non–recurring items such as fair value adjustments on investment properties, legacy incentive schemes, impairments and release of contingent consideration payable. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates.

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

Half year ended 31 December 2012	**Logistics $'000**	**Ports & Bulk $'000**	**Strategic Assets $'000**	**Corporate & Other $'000**	**Total $'000**
Revenue from external customers	272,523	240,871	12,910	(104)	526,200
Underlying adjustments (net)	-	-	-	104	104
Underlying revenue	272,523	240,871	12,910	-	526,304

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

Net profit/(loss) before income tax	27,229	35,010	7,906	(17,592)	52,553
Share of profit of associates	(235)	(8,689)	-	-	(8,924)
Interest income	(401)	(484)	(122)	(822)	(1,829)
Interest expense	1,180	1,257	3,057	13,375	18,869
Fair value of derivatives	-	-	(837)	959	122
Depreciation & amortisation	12,654	15,660	206	2	28,522
EBITDA	40,427	42,754	10,210	(4,078)	89,313
Legacy incentive schemes*	683	160	-	-	843
Fair value adjustments (net)	-	-	-	155	155
Underlying EBITDA	41,110	42,914	10,210	(3,923)	90,311
Depreciation	(11,813)	(13,643)	-	(2)	(25,458)
Underlying EBITA	29,297	29,271	10,210	(3,925)	64,853
Amortisation	(840)	(2,016)	(206)	-	(3,062)
Underlying EBIT	28,457	27,255	10,004	(3,925)	61,791
Interest expense (net)	(779)	(773)	(2,935)	(12,553)	(17,040)
Underlying share of profit of associates	235	8,689	-	-	8,924
Underlying net profit before income tax	27,913	35,171	7,069	(16,478)	53,675
Income tax expense	(8,272)	(7,793)	(2,346)	4,944	(13,467)
Underlying net profit for the half year	19,641	27,378	4,723	(11,534)	40,208
Non-controlling interests	-	-	(1,795)	-	(1,795)
Underlying net profit after tax attributable to members	19,641	27,378	2,928	(11,534)	38,413
Underlying earnings per share (cents per share)					4.16c
Total segment assets	625,525	878,878	291,683	18,427	1,814,513
Total assets includes:					
Investments in associates	2,124	203,438	-	-	205,562
Additions to non-current assets (other than financial assets and deferred tax)	96,437	37,330	4,060	15	137,842
NCI Share of total assets	-	-	79,073	-	79,073
Total segment liabilities	79,224	139,398	75,154	407,304	701,080

*The FY 13 full year expense relating to legacy incentive schemes was $1.9 million of which $0.8 million related to H1 and $1.1 million related to H2. The full year expense was added back to the FY 13 full year statutory results as part of the calculation of the underlying earnings for FY 13.

Underlying Information is determined as follows:

Underlying revenues and expenses are statutory revenues and expenses adjusted to exclude non-cash and non–recurring items such as fair value adjustments on investment properties, legacy incentive schemes, impairments and release of contingent consideration payable. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates.

3 Revenue and other income

	Half year ended 31 Dec 2013 $'000	31 Dec 2012 $'000
From continuing operations		
Sales revenue		
Transport and logistics services rendered	**564,158**	511,775
	564,158	511,775
Other income		
Rental and property related income	**16,822**	14,294
Net (loss)/ gain on disposal of property, plant and equipment	**(31)**	232
Fair value gains/(losses) on financial assets at fair value through profit or loss	**93**	(156)
Management fees	**33**	40
Dividend and distribution income	**16**	15
Other	**427**	-
Total other income	**17,360**	14,425

4 Expenses

Profit before income tax includes the following specific expenses:

Depreciation		
Buildings	**462**	357
Plant and equipment	**25,100**	22,688
Leasehold improvements	**2,605**	2,413
Total depreciation	**28,167**	25,458
Amortisation		
Customer contracts	**2,898**	2,858
Operating rights	**205**	206
Total amortisation	**3,103**	3,064
Depreciation and amortisation expense	**31,270**	28,522
Finance expenses		
Interest and finance charges paid/payable to other persons	**15,694**	18,869
Fair value adjustments – derivative instruments	**(870)**	122
Finance costs expensed	**14,824**	18,991
Rental expense relating to operating leases		
Property	**24,202**	19,907
Motor vehicles	**1,808**	1,516
Plant and equipment	**24,799**	22,804
Total rental expense relating to operating leases	**50,809**	44,227
Employee benefits expense		
Defined contribution superannuation expenses	**12,217**	11,450
Share based payment expenses	**2,221**	1,803
Other employee benefits expense	**185,993**	178,046
Total employee benefits expenses	**200,431**	191,299

5 Investments in associates

(a) Ownership interests

The Group has interests in the following associate entities that are or were equity accounted for:

Name of entity	Principal Activity	Country of Incorporation	Ownership Interest as at	
			31 Dec 2013	30 June 2013
			%	%
Australian Amalgamated Terminals Pty Ltd	Development & management of wharf side facilities	Australia	**50**	50
Northern Stevedoring Services Pty Ltd	Stevedores and transport operators	Australia	**50**	50
"K" Line Auto Logistics Pty Ltd*	Storage, processing & distribution of motor vehicles	Australia	**50**	50
Mackenzie Hillebrand	Logistics solutions	Australia	**50**	50

* 25% interest in Prixcar held through Qube's 50% holding in "K" Line Auto Logistics Pty Ltd.

(b) Movements in carrying amounts

	31 Dec 2013 $'000	30 June 2013 $'000
Carrying amount at the beginning of the period	**197,424**	182,763
Additional investment	**-**	20,000
Share of profit after income tax	**6,803**	15,536
Dividends received/receivable	**(4,500)**	(10,375)
Impairment loss recognised	**-**	(10,500)
Carrying amount at the end of the period	**199,727**	197,424

(c) Summarised financial information of associates

The Group's share of the half year results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Company's share of:			
	Assets	**Liabilities**	**Revenues**	**Profit**
31 December 2013	**$'000**	**$'000**	**$'000**	**$'000**
Australian Amalgamated Terminals Pty Ltd*	**56,301**	**56,385**	**18,177**	**4,073**
Northern Stevedoring Services Pty Ltd	**27,915**	**16,141**	**20,117**	**1,867**
"K" Line Auto Logistics Pty Ltd**	**35,258**	**27**	**42**	**713**
Mackenzie Hillebrand	**5,054**	**2,587**	**6,408**	**150**
	124,528	**75,140**	**44,744**	**6,803**

* Included within Australian Amalgamated Terminal's Liabilities is $53m in shareholder loans owed to Qube.
** Prixcar investment held through Qube's 50% interest in "K" Line Auto Logistics Pty Ltd.

	Company's share of:			
	Assets	Liabilities	Revenues	Profit
31 December 2012	$'000	$'000	$'000	$'000
Australian Amalgamated Terminals Pty Ltd*	57,708	57,446	19,450	5,031
Northern Stevedoring Services Pty Ltd	26,994	19,919	21,783	2,728
"K" Line Auto Logistics Pty Ltd**	34,491	12	42	930
Mackenzie Hillebrand	5,075	2,942	6,239	235
	124,268	80,319	47,514	8,924

* Included within Australian Amalgamated Terminal's Liabilities is $53m in shareholder loans owed to Qube.
** Prixcar investment held through Qube's 50% interest in "K" Line Auto Logistics Pty Ltd

6 Intangible assets

	Goodwill $'000	Operating Rights $'000	Customer Contracts $'000	Total $'000
At 1 July 2012				
Cost	550,447	7,609	48,800	606,856
Accumulated amortisation	-	(1,268)	(5,885)	(7,153)
Net book amount	550,447	6,341	42,915	599,703
Year ended 30 June 2013				
Opening net book amount	550,447	6,341	42,915	599,703
Finalisation of acquisition accounting	(1,375)	-	-	(1,375)
Acquisition of business	12,200	-	800	13,000
Amortisation charge	-	(410)	(5,781)	(6,191)
Closing net book amount	561,272	5,931	37,934	605,137
At 30 June 2013				
Cost	561,272	7,609	49,600	618,481
Accumulated amortisation	-	(1,678)	(11,666)	(13,344)
Net book amount	561,272	5,931	37,934	605,137
Half year ended 31 December 2013				
Opening net book amount	**561,272**	**5,931**	**37,934**	**605,137**
Finalisation of acquisition accounting	**-**	-	**-**	**-**
Acquisition of business	**6,089**	-	**-**	**6,089**
Amortisation charge	**-**	**(205)**	**(2,898)**	**(3,103)**
Closing net book amount	**567,361**	**5,726**	**35,036**	**608,123**
At 31 December 2013				
Cost	**567,361**	**7,609**	**49,600**	**624,570**
Accumulated amortisation	**-**	**(1,883)**	**(14,564)**	**(16,447)**
Net book amount	**567,361**	**5,726**	**35,036**	**608,123**

7 Equity securities issued

	31 Dec 2013 Shares	31 Dec 2012 Shares	**31 Dec 2013 $'000**	31 Dec 2012 $'000
(a) Issues of ordinary shares during the half year				
Opening balance as at 1 July	**928,965,547**	921,407,185	**1,031,260**	1,019,583
Management ELTIP	**-**	2,000,000	**-**	3,090
Dividend reinvestment plan issues	**2,467,952**	3,082,660	**4,741**	4,434
Closing balance 31 December	**931,433,499**	926,489,845	**1,036,001**	1,027,107
(b) Movements in treasury shares during the half year				
Opening balance as at 1 July	**-**	**-**	**-**	**-**
Acquisition of shares by the Qube Holdings Employee Share Trust	**(1,742,674)**	**-**	**(3,440)**	**-**
Employee share scheme issue	**-**	**-**	**-**	**-**
Closing balance 31 December	**(1,742,674)**	**-**	**(3,440)**	**-**
Total contributed equity	**929,690,825**	926,489,845	**1,032,561**	1,027,107

Treasury shares

Treasury shares are shares in Qube Holdings Limited held by the Qube Holdings Limited Employee Share Trust for the purpose of allocating shares that vest under the Qube Long-Term Incentive Plan (LTI). Details of the plan were disclosed in the Remuneration Report on page 28 of the Qube Holdings Limited 2013 Annual Report.

8 Fair value measurement of financial instruments

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial asset and financial liabilities measured and recognised at their fair value at 31 December 2013 on a recurring basis:

At 31 December 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	**934**	**-**	**-**	**934**
Total assets	**934**	**-**	**-**	**934**
Liabilities				
Contingent consideration payable	**-**	**-**	**4,692**	**4,692**
Derivatives used for hedging	**-**	**853**	**-**	**853**
Total liabilities	**-**	**853**	**4,692**	**5,545**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities as fair value on a non-recurring basis as at 31 December 2013.

(b) Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

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

(i) Transfers between levels 2 and 3 and changes in valuation techniques
There were no transfers between the levels of the fair value hierarchy in the half year to 31 December 2013. There were also no changes made to any of the valuation techniques applied as of 30 June 2013.

8 Fair value measurement of financial instruments (continued)

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

(ii) Valuation inputs and relationships to fair value

Contingent consideration
Actual consideration payable is contingent on certain future conditions including financial results and volume related targets. The minimum amount payable is $Nil, and the maximum is $5,000,000. The amount recognised of $4,692,000 is based on discounting the maximum payable of $5,000,000 over a period of 4 years at a rate of approximately 2.7%, which is equivalent to Qube's weighted average deposit rate.

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

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

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

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

(d) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. These had the following fair values as at 31 December 2013:

	Carrying amount $'000	Fair value $'000
Non-current receivables		
Other receivables	**948**	948
	948	948
Non-current borrowings		
Bank loans	**528,102**	530,000
Lease liabilities	**42,760**	37,935
	570,862	567,935

Due to their short-term nature, the carrying amount of current receivables, current payables and current borrowings is assumed to approximate their fair value.

9 Business combination

Intercon Holdings Pty Limited (IML Logistics) acquisition

On 2 December 2013, the Group acquired 100% of the issued share capital of IML Logistics and its operating subsidiaries for $16.7 million including contingent consideration but excluding stamp duty and associated transaction costs. IML Logistics is an established Australian company specialising in logistics solutions for a range of industries including mining and resource project logistics, specialised transport, warehousing and distribution services to a range of organisations across Western Australia. The acquisition provides additional scale and synergies for Qube's existing Western Australian operations.

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	**743**
Trade & other receivables	**3,501**
Inventories	**55**
Plant and equipment	**9,353**
Trade & other payables	**(2,416)**
Provision for employee benefits	**(583)**
Net identified assets acquired	**10,653**
Add: goodwill	**6,089**
Net assets acquired	**16,742**

The goodwill is attributable to the synergies and the scale this acquisition will provide Qube, which will ultimately benefit customers. None of the goodwill is expected to be deductible for tax purposes.

10 Dividends

	Half year	
	31 Dec 2013 $'000	31 Dec 2012 $'000
(a) Ordinary shares		
Dividends provided for or paid during the half year	20,958	19,015
(b) Dividends not recognised at the end of the half year		
In addition to the above dividends, since the end of the half year the Directors have resolved to pay an interim dividend of 2.4 cents per fully paid ordinary share (December 2012 – 2.2 cents), fully franked. The aggregate amount of the proposed dividend expected to be paid on 4 April 2014 out of retained earnings at 31 December 2013, but not recognised as a liability at the end of the half year, is	22,354	20,383

11 Contingencies

Contingent liabilities

There has been no material change in contingent liabilities set out in Qube's 2013 Annual Report.

12 Events occurring after the reporting period

Since the end of the half year no events have occurred which would materially impact on the financial position of the Group disclosed in the balance sheet as at 31 December 2013 or on the results and cash flows of the Group, for the financial period ended on that date and up to and including the date of this report.

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 21 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 2013 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
20 February 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying interim financial report of Qube Holdings Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Qube Holdings Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim 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 interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Qube Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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 interim financial report of Qube Holdings Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
20 February 2014