QUBE HOLDINGS LIMITED
ABN 141 497 230 53

Level 22, 44 Market Street
Sydney
NSW 2000

T: +61 2 9080 1900
F: +61 2 9080 1999

qube.com.au

24 February 2015

Results for Announcement to the Market
Preliminary Half Year Report

In accordance with Listing Rule 4.2A, we attach the following for the half year ended 31 December 2014:

- Preliminary Half Year Report (Appendix 4D)
- Interim Financial Report

For further information, please contact:

Paul White	Paul Lewis
Corporate Affairs	Chief Financial Officer
+61 417 224 920	+61 2 9080 1903

Qube Holdings Limited
(ABN 14 149 723 053)
APPENDIX 4D Half Year Report 31 December 2014

Results for Announcement to the Market

Statutory Information

Set out below are the statutory results for Qube Holdings Limited (Qube) and its controlled entities for the half year ended 31 December 2014.

	Dec 2014 $'000	Dec 2013 $'000	Movement
Revenue from ordinary activities	726,956	581,518	+25.0%
EBITDA[1]	138,617	98,169	+41.2%
Profit from ordinary activities after tax attributable to members	54,671	41,187	+32.7%
Net profit for the period attributable to members	54,671	41,187	+32.7%
Basic earnings per share (cents per share)	5.22c	4.43c	+17.8%
Diluted earnings per share (cents per share)	5.20c	4.43c	+17.4%
Interim dividend per share (fully franked)	2.7c	2.4c	+12.5%

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

Underlying Information*

Qube delivered continued strong underlying revenue and earnings growth for the half year ended 31 December 2014.

Underlying information	Dec 2014 $'000	Dec 2013 $'000	Movement
Underlying Revenue	715,870	581,371	+23.1%
Underlying EBITDA	129,723	99,431	+30.5%
Underlying EBITA	84,893	71,264	+19.1%
Underlying net profit for the period attributable to members	53,146	42,133	+26.1%
Underlying diluted earnings per share (cents per share)	5.05c	4.53c	+11.5%

* The underlying information excludes non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to 'underlying 'information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.

Underlying Information (continued)*

Further commentary on the performance of Qube and its operating businesses is set out in the financial statements and ASX announcement issued with this Appendix 4D.

A reconciliation of the statutory results to the underlying results for the half year ended 31 December 2014 is presented below:

	Dec 2014 $'000	Dec 2013 $'000
Revenue from external customers	**726,956**	**581,518**
Fair value gain on investment property	(10,987)	-
Other underlying adjustments (net)	(99)	(147)
Underlying revenue	**715,870**	**581,371**
Net profit before income tax	**82,534**	**59,550**
Share of profit of associates	(5,827)	(6,803)
Interest income	(928)	(672)
Interest expense	12,752	15,694
Fair value loss/(gain) on derivatives	1,336	(870)
Depreciation and amortisation	48,750	31,270
EBITDA	**138,617**	**98,169**
Legacy incentive schemes	2,207	1,355
Fair value gain on investment property	(10,987)	-
Other adjustments (net)	(114)	(93)
Underlying EBITDA	**129,723**	**99,431**
Depreciation	(44,830)	(28,167)
Underlying EBITA	**84,893**	**71,264**
Amortisation	(3,920)	(3,103)
Underlying EBIT	**80,973**	**68,161**
Interest expense (net)	(11,824)	(15,022)
Syndicated debt facilities establishment fees written off	1,297	-
Underlying share of profit of associates	5,827	7,116
Underlying net profit before income tax	**76,273**	**60,255**
Underlying income tax expense	(21,134)	(15,942)
Underlying net profit for the half year	**55,139**	**44,313**
Non-controlling interests	(1,993)	(2,180)
Underlying net profit after income tax attributable to members	**53,146**	**42,133**
Underlying diluted earnings per share (cents per share)	5.05c	4.53c

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

* The underlying information excludes non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to 'underlying 'information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.

Underlying Information (continued)*

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.

Dividend Information

	Amount (cents per share)	Record Date
Interim dividend - fully franked	2.7	10 March 2015
Payment date	7 April 2015	

Qube paid a fully franked interim dividend of 2.4 cents per share for the six months ended 31 December 2013 on 4 April 2014. A fully franked final dividend of 2.7 cents per share for the year ended 30 June 2014 was paid on 3 October 2014.

Dividend Reinvestment Plan

Qube operates a dividend reinvestment plan (DRP) that enables shareholders to elect to reinvest all, or a portion of, their dividends into additional shares in Qube. The DRP is available for the interim dividend payable on 7 April 2015. Shares will be issued at a discount of 2.5% to the volume weighted average market price of shares sold on the ASX over the 10 trading days immediately following the record date for payment of the dividend and will rank equally with existing ordinary shares on issue. Lodgement of the election notice for participation in the DRP is due by 5:00pm on 11 March 2015.

Net Tangible Assets per Share

The net tangible assets per share are $0.73 per share (Dec 2013:$0.51 per share).

Additional Information

Additional Appendix 4D disclosures can be found in the notes to the Interim Financial Report.

This Appendix 4D report is based on the 31 December 2014 Interim Financial Report which has been subject to a review by PricewaterhouseCoopers.

* The underlying information excludes non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to 'underlying 'information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.

Qube Holdings Limited ABN 14 149 723 053
Interim report - 31 December 2014

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 2014 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 2014.

Directors

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

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

Dividend

The Directors have declared a fully franked interim dividend of 2.7 cents per share payable on 7 April 2015, a 12.5% increase on the prior corresponding period.

Review of operations

Overview

Statutory revenue increased by 25% over the prior corresponding period to $727.0 million and profit after tax attributable to shareholders increased by around 33% to $54.7 million. Diluted earnings per share were 5.20 cents, an increase of 17.4% over the prior corresponding period.

Underlying diluted earnings per share were 5.05 cents (5.31 cents pre-amortisation), an 11.5% increase on the prior corresponding period.

Qube continued to undertake strategic investments and acquisitions to broaden and enhance its logistics capabilities and customer base, increase scale and provide additional diversification.

These record results were achieved despite continued challenging economic conditions, generally flat volumes and ongoing volatility in commodity prices. The ability of Qube to achieve growth in this environment reflects Qube's management expertise in delivering reliable, innovative and cost effective logistics solutions to its customer base as well as the benefit of Qube's acquisitions and investment to support its growth.

In addition to the pleasing financial performance, progress was made on the future development of Qube's majority owned strategic property at Moorebank. In December 2014, Qube announced that commercial terms had been agreed with the Moorebank Intermodal Company (MIC) for a whole of precinct development involving MIC's Moorebank land and Qube / Aurizon owned land.

This agreement, which is subject to necessary final approvals including Commonwealth approval, is expected to deliver the optimal outcome by maximising efficiencies across the logistics supply chain.

Qube's safety performance continued to improve with its Lost Time Injury Frequency Rate (LTIFR), decreasing from 4.6 Lost Time Injuries (LTIs) per million hours worked at 30 June 2014 to 4.2 LTIs at 31 December 2014, a 9% improvement.

In December 2014 Qube refinanced its syndicated debt facilities, obtaining improved terms, tenure and pricing.

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

Logistics Division

The Logistics division delivered a sound result with underlying revenue and EBITA increasing by 6% and 4% respectively over the prior corresponding period to $318.5 million and $32.2 million respectively. The business secured new contracts and contract extensions in the period that will also drive future organic growth.

The positive result was achieved in challenging economic conditions with flat container volumes and lower agri volumes due to adverse weather.

Qube completed the acquisition of CRT on 1 December 2014. This acquisition provides Qube with land and warehousing adjacent to a rail head at Altona which supports Qube's strategy of providing integrated logistics solutions utilising road and rail solutions. It also provides substantial cost synergies by eliminating duplication of facilities and equipment, and also expands and diversifies Qube's customer base.

Qube continued to invest significantly during the period with divisional capex of around $67 million. In addition to the CRT acquisition, Qube invested in developing its facilities including warehousing at Vic Dock and hardstand at Fremantle to deliver additional scale and provide its customer base with quality facilities that have substantial capacity for future growth.

The result was impacted by several non-recurring costs, most significant of which was incurred pre-Christmas due to operational inefficiencies caused by construction activities at the container stevedoring terminals at Port Botany. This resulted in additional costs to Qube's rail and road operations in attempting to meet its customers' service commitments.

Ports & Bulk Division

In the half year ended 31 December 2014, underlying revenue grew by 44% to $382.4 million from $265.1 million in the prior corresponding period, and underlying EBITA increased by 40% to $47.8 million from $34.2 million.

The strong financial results from the Ports & Bulk division in the period highlights the quality and diversified nature of the operations and reflects the value of the logistics services provided by Qube to its customer base. Qube's strategy and strong customer focus have assisted in achieving growth despite reduced activities and volumes amongst some of Qube's customers.

Qube secured several new contracts in the period through its ability to deliver innovative, cost effective logistics solutions for its customers. Qube continues to invest in technology, systems, equipment and facilities to deliver these outcomes. The result also benefitted from acquisitions made in the current and prior periods. Divisional capital expenditure in the six months to 31 December 2014 was approximately $98 million.

The port operations delivered growth in its oil and gas activities including an increased contribution from the Dampier Transfer Facility, increased volumes from the Chevron contract in Fremantle, and from Qube's supply base activities in Darwin.

The port activities also benefitted from the acquisition of Australian Heavy Logistics (AHL) on 11 September 2014 which expanded the breadth of its logistics capabilities to include transport of heavy vehicles and equipment from the port to the customers' facilities.

Additionally, Qube acquired the NZ company ISO Limited on 7 January 2015. ISO operates in seven ports throughout New Zealand as well as at Portland and other ports in Australia. Its operations are focussed on the forest products industry, with operations structured across stevedoring, marshalling and transport activities. ISO provides potential revenue synergies by leveraging the respective customer bases of the two organisations in both New Zealand and Australia as well as providing geographic and product diversification.

The vehicle stevedoring result was below expectations due to lower vehicle imports and vehicle storage days reducing significantly, and project cargo volumes were mixed given the reduced level of mining development / activity.

The bulk operations continued to generate strong returns for Qube with pleasing results from both the terminal and bulk haulage activities. The results reflected organic growth from new customer wins, a full period's contribution from the Walmsley and Beaumont acquisitions that were completed in the second half of FY 14, as well as the Oztran acquisition that was completed on 1 July 2014.

Associates

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 to $5.9 million from around $7.0 million in the prior corresponding period. This mainly reflected a decline in motor vehicle imports and mining related project cargo. Additionally, lower demand for domestically manufactured vehicles impacted the earnings from Prixcar's transport operations.

Strategic Assets

The underlying revenue and earnings from the rental of the Moorebank and Minto properties were relatively stable in the period.

However, underlying EBITA reduced by around 5% due to expenditure relating to the future development of the Moorebank site.

During the period, Qube achieved two important milestones towards the future development of Moorebank.

On 29 September 2014, MIPT (Qube 67% / Aurizon 33%) received Concept Plan approval from the New South Wales Government under the Environmental Planning and Assessment Act which was a key milestone to facilitate the development of the MIPT site. This approval, combined with MIPT's previously received Commonwealth Environment Protection and Biodiversity Conservation Act approval, provides much greater certainty for MIPT regarding the ability to develop warehousing and a rail terminal on the MIPT property.

As a result of this approval and general movements in market value for comparable properties, the value of MIPT's Moorebank land was revalued upwards at 31 December 2014, resulting in a fair value gain in Qube's statutory results of $11.0 million. This gain is non-cash and has been backed out of Qube's results for the purpose of determining underlying earnings.

On 5 December 2014, MIC announced that after a six-month negotiation, MIC and MIPT have reached agreement, subject to the satisfaction of certain conditions precedent and Commonwealth approval, to develop the Moorebank project as a whole of precinct development.

Qube has always believed that a whole of precinct development would provide the optimal outcome for a broad range of stakeholders as it supports the delivery of the most efficient overall logistics solution, maximises the available logistics and warehouse activities on-site, avoids duplication of key infrastructure and minimises the environmental impact of the development and operations.

Documentation for the legal and commercial agreements between Qube / Aurizon and MIC is expected to be finalised by the end of March 2015, after which final Commonwealth approval will be required.

The construction of the Quattro Grain facility at Port Kembla continued during the period in line with expectations. This facility is scheduled to be completed and operational by October 2015.

Corporate and Other

Corporate costs increased by around $0.5 million to $6.4 million compared to the prior corresponding period, mainly reflecting additional resources and costs commensurate with the increased size and complexity of the company.

Funding and Leverage

Qube's businesses delivered strong cashflow to support Qube's investment with an underlying cash conversion ratio of around 99%.

In December 2014, Qube refinanced its existing syndicated debt facilities into a single larger $750 million five year facility expiring in December 2019. The new facility has improved pricing and terms reflecting Qube's strong credit profile, and provides Qube with substantial funding capacity, tenure and financial flexibility to pursue further growth.

At 31 December 2014, Qube's gross debt was around $489 million and net debt was around $408 million. Qube had available cash and undrawn debt facilities of around $374 million.

Qube's leverage ratio has increased from around 17% at 30 June 2014 to 23% at 31 December 2014 as it used debt to supplement operating cashflows to fund additional investment. Qube remains below the lower end of its target leverage ratio of 30-40% and remains comfortably in compliance with its financial covenants in its syndicated debt facility agreement.

Summary and Outlook

Qube remains focussed on delivering its strategy of providing reliable, innovative and cost effective integrated logistics solutions for the import and export supply chains. Qube continues to invest in complementary acquisitions, facilities and equipment consistent with this strategy and its core markets in order to expand its service capabilities, build scale and deliver superior, cost effective logistics solutions to its customers.

The success of this strategy is reflected in the pleasing financial results in the six months ended 31 December 2014 despite a very challenging economic environment and declining commodity prices. Multiple organic and inorganic growth opportunities are being pursued across the group to support future growth.

Subject to no deterioration in economic conditions or commodity prices, Qube expects that both operating divisions will deliver revenue and earnings growth in FY 15 which will drive continued growth in underlying earnings per share in FY 15.

Matters subsequent to the end of the period

On 7 January 2015 the Group acquired a 100% interest in ISO Limited (incorporated in New Zealand) and its wholly owned subsidiaries and associates together with a 100% interest in ISO Marshalling (Australia) LP ('ISO').

ISO is a leading provider of stevedoring and marshalling services in New Zealand, focusing on forestry products. ISO also provides its marshalling services in Australia.

The initial purchase price for ISO was approximately $76 million (NZD $80 million), inclusive of net debt of around NZD $20 million assumed by Qube as part of the acquisition. In addition, deferred consideration of up to NZD $25 million may be payable in FY 18 based on the financial performance of the business over the three year period from 1 April 2015 to 31 March 2018.

Except as outlined above, there have been no events since the end of the half year which would materially impact on the financial position of the Group disclosed in the balance sheet as at 31 December 2014 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 6.

Rounding of amounts

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

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

Christopher D. Corrigan
Director

Sydney
23 February 2015

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Auditor's Independence Declaration

As lead auditor for the review of Qube Holdings Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
23 February 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

	Notes	31 Dec 2014 $'000	31 Dec 2013 $'000
Revenue from continuing operations			
Revenue from sales and services	3	**697,178**	564,158
Other income	3	**29,778**	17,360
Total income		**726,956**	581,518
Direct transport and logistics costs		**182,624**	146,159
Repairs and maintenance costs		**45,709**	35,693
Employee benefits expense	4	**251,208**	206,708
Fuel, oil and electricity costs		**59,053**	52,600
Occupancy and property costs		**32,446**	31,051
Depreciation and amortisation expense	4	**48,750**	31,270
Professional fees		**7,659**	5,643
Other expenses		**9,640**	5,495
Total expenses		**637,089**	514,619
Finance income		**928**	672
Finance costs	4	**(14,088)**	(14,824)
Net finance costs		**(13,160)**	(14,152)
Share of net profit of associates accounted for using the equity method		**5,827**	6,803
Profit before income tax		**82,534**	59,550
Income tax expense		**(22,217)**	(16,183)
Profit for the half year		**60,317**	43,367
Other comprehensive income for the half year, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**-**	-
Items that will not be reclassified to profit or loss		**-**	-
Total comprehensive income for the half year		**60,317**	43,367
Total comprehensive income for the half year is attributable to:			
Owners of Qube		**54,671**	41,187
Non-controlling interests		**5,646**	2,180
		60,317	43,367
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**5.22**	4.43
Diluted earnings per share		**5.20**	4.43

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

	Notes	31 Dec 2014 $'000	30 June 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**81,127**	111,671
Trade and other receivables		**223,665**	196,250
Inventories		**2,428**	2,716
Total current assets		**307,220**	310,637
Non-current assets			
Trade and other receivables		**748**	948
Financial assets at fair value through profit or loss	9	**856**	828
Investments accounted for using the equity method	5	**206,257**	194,430
Property, plant and equipment		**746,589**	639,887
Investment properties		**321,055**	308,500
Intangible assets	6	**616,236**	606,740
Other assets		**728**	728
Total non-current assets		**1,892,469**	1,752,061
Total assets		**2,199,689**	2,062,698
LIABILITIES			
Current liabilities			
Trade and other payables		**132,255**	111,174
Borrowings		**14,186**	16,969
Derivative financial instruments		**-**	19
Current tax payable		**4,370**	21,947
Provisions		**64,048**	57,322
Other		**11,726**	21,161
Total current liabilities		**226,585**	228,592
Non-current liabilities			
Trade and other payables		**6,828**	6,781
Borrowings	7	**469,209**	372,350
Derivative financial instruments		**3,236**	1,880
Deferred tax liabilities		**978**	199
Provisions		**17,510**	7,550
Total non-current liabilities		**497,761**	388,760
Total liabilities		**724,346**	617,352
Net assets		**1,475,343**	1,445,346
EQUITY			
Contributed equity	8	**1,278,263**	1,281,335
Reserves		**(28,407)**	(30,898)
Retained earnings		**138,124**	111,296
Capital and reserves attributable to the owners of Qube		**1,387,980**	1,361,733
Non-controlling interests		**87,363**	83,613
Total equity		**1,475,343**	1,445,346

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

	Notes	Attributable to owners: Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
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	8	4,741	-	-	4,741	2,544	7,285
Acquisition of treasury shares	8	(3,440)	-	-	(3,440)	-	(3,440)
Dividends provided for or paid	11	-	-	(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
Balance at 1 July 2014		**1,281,335**	**(30,898)**	**111,296**	**1,361,733**	**83,613**	**1,445,346**
Profit for the half year		**-**	**-**	**54,671**	**54,671**	**5,646**	**60,317**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the half year		**-**	**-**	**54,671**	**54,671**	**5,646**	**60,317**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	8	**8,118**	**-**	**-**	**8,118**	**-**	**8,118**
Acquisition of treasury shares	8	**(11,190)**	**-**	**-**	**(11,190)**	**-**	**(11,190)**
Dividends provided for or paid	11	**-**	**-**	**(27,843)**	**(27,843)**	**-**	**(27,843)**
Transactions with non-controlling interests		**-**	**-**	**-**	**-**	**(1,896)**	**(1,896)**
Employee share scheme		**-**	**2,491**	**-**	**2,491**	**-**	**2,491**
		(3,072)	**2,491**	**(27,843)**	**(28,424)**	**(1,896)**	**(30,320)**
Balance at 31 December 2014		**1,278,263**	**(28,407)**	**138,124**	**1,387,980**	**87,363**	**1,475,343**

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

	Notes	31 Dec 2014 $'000	31 Dec 2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**785,258**	629,657
Payments to suppliers and employees (inclusive of goods and services tax)		**(657,402)**	(544,699)
		127,856	84,958
Dividends received		**4,508**	4,516
Interest received		**928**	672
Other revenue		**-**	277
Interest paid		**(17,765)**	(16,754)
Income taxes paid		**(34,123)**	(12,558)
Net cash inflow from operating activities		**81,404**	61,111
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	10	**(56,302)**	(11,307)
Payments for property, plant and equipment		**(111,784)**	(80,429)
Payments for investment property development expenditure		**(1,320)**	(1,759)
Payments for investment in associate	5	**(10,500)**	-
Proceeds from sale of property, plant and equipment		**3,613**	2,360
Net cash outflow from investing activities		**(176,293)**	(91,135)
Cash flows from financing activities			
Proceeds from the issue of units to non-controlling interests		**-**	1,284
Payments for treasury shares		**(11,190)**	(2,985)
Proceeds from borrowings		**584,000**	73,500
Repayment of borrowings		**(477,000)**	(10,000)
Finance lease payments		**(9,015)**	(12,785)
Dividends paid to shareholders		**(19,725)**	(16,217)
Distributions paid to non-controlling interests in subsidiaries		**(2,725)**	(2,945)
Net cash inflow from financing activities		**64,345**	29,852
Net decrease in cash and cash equivalents		**(30,544)**	(172)
Cash and cash equivalents at the beginning of the half year		**111,671**	57,729
Cash and cash equivalents at the end of the half year		**81,127**	57,557

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 2014 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 23 February 2015.

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 2014. 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.

Significant accounting policies

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are consistent with those applied by the Group in the financial report for the year ended 30 June 2014 and the corresponding interim reporting period.

Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2014 reporting period and have not been early adopted by the Group.

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 2017).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The standard is applicable for periods after 1 January 2017.

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

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

Comparative information

The comparative information has been reclassified to be presented on a basis consistent with disclosures at 31 December 2014. There is no change to the net result or net assets of the Group.

Information at 31 December 2014 has been disclosed on the same basis as at 30 June 2014 where the Group changed the classification of some of its major expense items in the statement of comprehensive income to better reflect the operations of the Group. Deferred tax balances have also been offset in the balance sheet as there is a legally enforceable right to offset balances that relate to the same taxation authority.

2 Segment information

(a) Description of segments

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

Logistics

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

Ports & Bulk

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

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

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

Strategic Assets

This division currently comprises Qube's interest in the Moorebank Industrial Property Trust (66.7%), a strategically located property at Minto in Sydney's south west (100%) and Qube's 37.5% interest in the Quattro Grain joint venture.

Both of Qube's 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.

The Quattro Grain joint venture has started construction of a new grain storage and handling facility at Port Kembla in New South Wales, expected to be operational in late calendar 2015.

Corporate and Other

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

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

2 Segment information (continued)

(b) Segment information provided to the Board

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 2014	**Logistics $'000**	**Ports & Bulk $'000**	**Strategic Assets $'000**	**Corporate & Other $'000**	**Total $'000**
Revenue and other income	**318,491**	**382,387**	**25,979**	**99**	**726,956**
Fair value gain on investment property	-	-	(10,987)	-	(10,987)
Other underlying adjustments (net)	-	-	-	(99)	(99)
Underlying Revenue	**318,491**	**382,387**	**14,992**	**-**	**715,870**

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

Net profit/(loss) before income tax	**28,990**	**50,359**	**18,788**	**(15,603)**	**82,534**
Share of (profit)/loss of associates	-	(5,916)	89	-	(5,827)
Interest income	(295)	(322)	(125)	(186)	(928)
Interest expense	343	1,125	3,299	7,985	12,752
Fair value loss on derivatives	-	-	-	1,336	1,336
Depreciation and amortisation	14,897	33,643	205	5	48,750
EBITDA	**43,935**	**78,889**	**22,256**	**(6,463)**	**138,617**
Cost of legacy incentive schemes	1,628	579	-	-	2,207
Fair value gain on investment property	-	-	(10,987)	-	(10,987)
Other adjustments	107	(287)	-	66	(114)
Underlying EBITDA	**45,670**	**79,181**	**11,269**	**(6,397)**	**129,723**
Depreciation	(13,473)	(31,352)	-	(5)	(44,830)
Underlying EBITA	**32,197**	**47,829**	**11,269**	**(6,402)**	**84,893**
Amortisation	(1,424)	(2,291)	(205)	-	(3,920)
Underlying EBIT	**30,773**	**45,538**	**11,064**	**(6,402)**	**80,973**
Interest expense (net)	(48)	(803)	(3,174)	(7,799)	(11,824)
Syndicated debt facilities establishment fees written off	-	-	340	957	1,297
Underlying share of profit/(loss) of associates	-	5,916	(89)	-	5,827
Underlying net profit/(loss) before income tax	**30,725**	**50,651**	**8,141**	**(13,244)**	**76,273**
Underlying income tax expense	(9,218)	(13,420)	(2,469)	3,973	(21,134)
Underlying net profit/(loss) for the half year	**21,507**	**37,231**	**5,672**	**(9,271)**	**55,139**
Non-controlling interests	-	-	(1,993)	-	(1,993)
Underlying net profit/(loss) after income tax attributable to members	**21,507**	**37,231**	**3,679**	**(9,271)**	**53,146**
Underlying diluted earnings per share (cents per share)					5.05c
Total segment assets	**748,778**	**1,095,941**	**349,337**	**5,633**	**2,199,689**
Total assets includes:					
Investments in associates	-	193,820	12,437	-	206,257
Additions to non-current assets (other than financial assets and deferred tax)	66,550	97,984	11,759	-	176,293
NCI Share of total assets	-	-	88,249	-	88,249
Total segment liabilities	**114,427**	**140,340**	**5,943**	**463,636**	**724,346**

2 Segment information (continued)

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

Half year ended 31 December 2013	Logistics $'000	Ports & Bulk $'000	Strategic Assets $'000	Corporate & Other $'000	Total $'000
Revenue and other income	**301,100**	**265,111**	**15,160**	**147**	**581,518**
Other 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/(loss) after income tax attributable 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 gain on derivatives	-	-	(436)	(434)	(870)
Depreciation and amortisation	12,792	18,270	205	3	31,270
EBITDA	**41,833**	**50,240**	**11,877**	**(5,781)**	**98,169**
Cost of 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/(loss) before income tax	**29,941**	**37,899**	**8,381**	**(15,966)**	**60,255**
Underlying income tax expense	(8,938)	(9,280)	(2,514)	4,790	(15,942)
Underlying net profit/(loss) for the half year	**21,003**	**28,619**	**5,867**	**(11,176)**	**44,313**
Non-controlling interests	-	-	(2,180)	-	(2,180)
Underlying net profit/(loss) after income tax attributable to members	**21,003**	**28,619**	**3,687**	**(11,176)**	**42,133**
Underlying diluted 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, cost of legacy incentive schemes, impairments and release of contingent consideration payable to reflect core earnings. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates.

(c) Other segment information

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

(i) ***Segment assets***

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

2 Segment information (continued)

(c) Other segment information (continued)

(ii) ***Segment liabilities***

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

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

3 Revenue and other income

	Half year ended	
	31 Dec 2014 $'000	31 Dec 2013 $'000
From continuing operations		
Sales revenue		
Transport and logistics services rendered	**697,178**	564,158
	697,178	564,158
Other income		
Rental and property related income	**16,845**	16,822
Fair value gain on investment property	**10,987**	-
Net gain/(loss) on disposal of property, plant and equipment	**317**	(31)
Fair value gain on financial assets at fair value through profit or loss	**28**	93
Management fees	**63**	33
Dividend and distribution income	**8**	16
Other	**1,530**	427
Total other income	**29,778**	17,360

4 Expenses

Profit before income tax includes the following specific expenses:

	31 Dec 2014 $'000	31 Dec 2013 $'000
Depreciation		
Buildings	**498**	462
Plant and equipment	**32,895**	25,100
Leasehold improvements	**11,437**	2,605
Total depreciation	**44,830**	28,167
Amortisation		
Customer contracts	**3,715**	2,898
Operating rights	**205**	205
Total amortisation	**3,920**	3,103
Total depreciation and amortisation expense	**48,750**	31,270
Finance expenses		
Interest and finance charges paid/payable to other persons	**11,455**	15,694
Syndicated debt facilities establishment fees written off	**1,297**	-
Total interest and finance charges expense	**12,752**	15,694
Fair value loss/(gain) on derivative instruments	**1,336**	(870)
Total finance costs expense	**14,088**	14,824
Rental expense relating to operating leases		
Property	**24,886**	24,976
Motor vehicles	**1,504**	1,808
Plant and equipment	**18,565**	17,650
Total rental expense relating to operating leases	**44,955**	44,434
Employee benefits expense		
Defined contribution superannuation expenses	**14,730**	12,217
Share based payment expenses	**1,895**	926
Other employee benefits expense	**234,583**	193,565
Total employee benefits expense	**251,208**	206,708

5 Investments accounted for using the equity method

(a) Movements in carrying amounts

Set out below are the associates of the Group as at 31 December 2014. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All entities are accounted for using the equity method.

Name of entity	Place of business/country of incorporation	% ownership interest 31 Dec 2014 %	30 June 2014 %	Carrying amount 31 Dec 2014 $'000	30 June 2014 $'000
Australian Amalgamated Terminals Pty Ltd	Australia	**50**	50	**115,673**	116,342
Northern Stevedoring Services Pty Ltd	Australia	**50**	50	**45,306**	43,344
Prixcar Services Pty Ltd[1]	Australia	**25**	25	**32,841**	32,718
Quattro Grain Trust[2]	Australia	37.5	**37.5**	**12,437**	2,026
				206,257	194,430

1. Prixcar investment held through Qube's 50% interest in "K" Line Auto Logistics Pty Ltd
2. The contribution from the Group's investment in the Quattro Grain Trust is considered individually immaterial and is discussed in part (c) below.

(b) Summarised financial information of associates

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

	Australian Amalgamated Terminals Pty Ltd		Northern Stevedoring Services Pty Ltd		K Line Auto Logistics Pty Ltd (Prixcar)	
	31 Dec 2014 $'000	30 June 2014 $'000	**31 Dec 2014 $'000**	30 June 2014 $'000	**31 Dec 2014 $'000**	30 June 2014 $'000
Summarised balance sheet						
Current assets	**21,574**	19,363	**25,525**	19,416	**97**	88
Non-current assets	**90,929**	93,723	**44,043**	39,320	**65,632**	65,390
Current liabilities	**(5,749)**	(5,038)	**(22,901)**	(24,521)	**(47)**	(43)
Non-current liabilities	**(105,826)**	(105,782)	**(17,810)**	(9,282)	**-**	-
Net assets	**928**	2,266	**28,857**	24,933	**65,682**	65,435
Reconciliation to carrying amounts (Dec 2014 half year and June 2014 full year)						
Opening net assets	**2,266**	997	**24,933**	18,465	**65,435**	63,132
Additional investment	**-**	-	**-**	-	**-**	-
Profit for the period	**7,662**	13,269	**3,924**	6,468	**247**	2,303
Dividends paid	**(9,000)**	(12,000)	**-**	-	**-**	-
Closing net assets	**928**	2,266	**28,857**	24,933	**65,682**	65,435
Group's share in %	**50%**	50%	**50%**	50%	**50%**	50%
Group's share in $	**464**	1,133	**14,429**	12,467	**32,841**	32,718
Impairment charge	**-**	-	**-**	(7,234)	**-**	-
Loan to associates	**52,516**	52,516	**-**	-	**-**	-
Goodwill	**62,693**	62,693	**30,877**	38,111	**-**	-
Carrying amount	**115,673**	116,342	**45,306**	43,344	**32,841**	32,718

5 Investments accounted for using the equity method (continued)

(b) Summarised financial information of associates (continued)

	Australian Amalgamated Terminals Pty Ltd		Northern Stevedoring Services Pty Ltd		K Line Auto Logistics Pty Ltd (Prixcar)	
	31 Dec 2014 $'000	31 Dec 2013 $'000	**31 Dec 2014 $'000**	31 Dec 2013 $'000	**31 Dec 2014 $'000**	31 Dec 2013 $'000
Summarised statement of comprehensive income						
Revenue	**42,500**	36,354	**40,765**	40,235	**86**	84
Profit for the Period	**7,662**	8,145	**3,924**	3,733	**247**	1,426
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive income	**7,662**	8,145	**3,924**	3,733	**247**	1,426
Dividends received from associates	**4,500**	4,500	**-**	-	**-**	-

(c) Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	31 Dec 2014 $'000	30 June 2014 $'000
Aggregate carrying amount of individually immaterial associates	**12,437**	2,026
Aggregate amounts of the Group's share of:		
Loss for the period	**(89)**	(684)
Other comprehensive income	**-**	-
Total comprehensive income	**(89)**	(684)

(d) Contingent liabilities of associates

There has been no material change in contingent liabilities as set out in Qube's 2014 Annual Report.

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

The directors have concluded that where the Group holds 50% of the voting rights of an entity that this does not in itself confer that the Group has control of that entity. To establish whether control exists, the Group determines whether it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In the case of Australian Amalgamated Terminals Pty Ltd, Northern Stevedoring Services Pty Ltd and 'K' Line Auto Logistics Pty Ltd the Group does not have the ability to affect returns of these entities without the prior consent of the remaining shareholders.

6 Intangible assets

	Goodwill $'000	Operating Rights $'000	Customer Contracts and other Contract Intangibles $'000	Total $'000
Year ended 30 June 2014				
Opening net book amount	561,272	5,931	37,934	605,137
Acquisition of business	4,101	-	4,340	8,441
Amortisation charge	-	(410)	(6,428)	(6,838)
Closing net book amount	565,373	5,521	35,846	606,740
At 30 June 2014				
Cost	565,373	7,609	53,940	626,922
Accumulated amortisation	-	(2,088)	(18,094)	(20,182)
Net book amount	565,373	5,521	35,846	606,740
Half year ended 31 December 2014				
Opening net book amount	**565,373**	**5,521**	**35,846**	**606,740**
Finalisation of acquisition accounting	**266**	-	**-**	**266**
Acquisition of business	**7,650**	-	**5,500**	**13,150**
Amortisation charge	**-**	**(205)**	**(3,715)**	**(3,920)**
Closing net book amount	**573,289**	**5,316**	**37,631**	**616,236**
At 31 December 2014				
Cost	**573,289**	**7,609**	**59,440**	**640,338**
Accumulated amortisation	**-**	**(2,293)**	**(21,809)**	**(24,102)**
Net book amount	**573,289**	**5,316**	**37,631**	**616,236**

7 Borrowings

In December 2014, the Group refinanced its existing syndicated debt facilities totalling $670 million ($120 million Strategic Assets and $550 million Corporate) through a $750 million syndicated multi-currency revolving debt facility. The $750 million facility is unsecured, non-amortising and has a 5 year term expiring in December 2019. The facility requires certain ratios such as interest cover, gearing and total equity to be maintained.

At 31 December 2014, $457 million of the new facility was drawn.

The facilities which were refinanced had expiry dates between June 2016 and August 2018. Unamortised establishment fees, totalling $1.3 million relating to the refinanced facilities were written off in December 2014.

8 Equity securities issued

	31 Dec 2014 Shares	31 Dec 2013 Shares	**31 Dec 2014 $'000**	31 Dec 2013 $'000
(a) Issues of ordinary shares during the half year				
Opening balance as at 1 July	**1,051,172,929**	928,965,547	**1,287,411**	1,031,260
Dividend reinvestment plan issues	**3,255,147**	2,467,952	**8,118**	4,741
Closing balance 31 December	**1,054,428,076**	931,433,499	**1,295,529**	1,036,001
(b) Movements in treasury shares during the half year				
Opening balance as at 1 July	**(2,961,418)**	-	**(6,076)**	-
Treasury shares purchased	**(4,405,760)**	(1,742,674)	**(11,190)**	(3,440)
Closing balance 31 December	**(7,367,178)**	(1,742,674)	**(17,266)**	(3,440)
Total contributed equity	**1,047,060,898**	929,690,825	**1,278,263**	1,032,561

8 Equity securities issued (continued)

Treasury shares

Treasury shares are shares in Qube Holdings Limited held by the Qube Holdings Limited Employee Share Trust for the purpose of allocating shares that vest under the Short-Term Incentive Plan (STI) and the Long-Term Incentive Plan (LTI). Details of the plans were disclosed in the Remuneration Report on pages 30 to 33 of the Qube Holdings Limited 2014 Annual Report.

9 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:

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at their fair value at 31 December 2014 on a recurring basis:

At 31 December 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	**856**	**-**	**-**	**856**
Total assets	**856**	**-**	**-**	**856**
Liabilities				
Contingent consideration payable	**-**	**-**	**5,335**	**5,335**
Derivatives used for hedging	**-**	**3,236**	**-**	**3,236**
Total liabilities	**-**	**3,236**	**5,335**	**8,571**
At 30 June 2014				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	828	-	-	828
Total assets	828	-	-	828
Liabilities				
Contingent consideration payable	-	-	6,692	6,692
Derivatives used for hedging	-	1,899	-	1,899
Total liabilities	-	1,899	6,692	8,591

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. For transfers in and out of level 3 measurements see (c) below.

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 assets or liabilities at fair value on a non-recurring basis as at 31 December 2014 or 30 June 2014.

9 Fair value measurement of financial instruments (continued)

(b) Valuation techniques used to determine fair values

Financial instruments

Specific valuation techniques used to value financial instruments include:

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

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

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

Financial instruments

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

There were no transfers between the levels of the fair value hierarchy in the half year to 31 December 2014.
There were also no changes made to any of the valuation techniques applied as of 30 June 2014.

ii) Valuation inputs and relationships to fair value

Contingent consideration
Actual consideration payable is contingent on certain future conditions including financial results, warranty periods and volume related targets. The minimum amount payable is $Nil, and the maximum is $9.5 million over the relevant period.

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

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

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

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

10 Business combinations

(a) Qube acquired 100% of the issued share capital of Oztran Aust. Pty Ltd, Oztran Assets Pty Ltd and Stanton Oztran Pty Ltd ('Oztran'), together with certain equipment assets on 1 July 2014 and Australian Heavy Logistics Pty Ltd ('AHL') on 11 September 2014 for a total purchase price of $35.1 million.

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

	$'000
Purchase consideration	
Cash paid	**35,052**
Contingent consideration	**706**
Total purchase consideration	**35,758**

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

	Fair value $'000
Cash and cash equivalents	**298**
Trade and other receivables	**3,950**
Plant and equipment	**23,217**
Customer contracts and other contract intangibles	**5,500**
Deferred tax liability	**(1,650)**
Trade and other payables	**(3,207)**
Net identified assets acquired	**28,108**
Add: goodwill	**7,650**
Net assets acquired	**35,758**

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

(i) Contingent consideration
Actual consideration payable is contingent on the finalisation of a new customer contract and certain future conditions including financial results and working capital targets.

(ii) Acquisition related costs
Acquisition related costs of $207,000 are included in professional fees in the income statement.

(iii) Acquired receivables
The fair value of trade and other receivables is $3,950,000 which is expected to be collectible.

(iv) *Revenue and profit contribution*
The acquired businesses contributed revenues of $27,602,000 and net profit after tax of $2,614,000 to the Group for the period from acquisition dates to 31 December 2014.

Purchase consideration - cash outflow

	$'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	**35,052**
Less: Cash balances acquired	**298**
Outflow of cash - investing activities	**34,754**

10 Business combinations (continued)

(b) Qube acquired 100% of the issued share capital of CRT Group Pty Ltd ('CRT') on 1 December 2014 for a total purchase price of $21.5 million.

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

	$'000
Purchase consideration	
Cash paid	**21,548**
Contingent consideration	**-**
Total purchase consideration	**21,548**

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

	Fair value $'000
Inventories	**340**
Trade and other receivables	**14,494**
Plant and equipment	**27,708**
Deferred tax asset	**5,398**
Trade and other payables	**(9,269)**
Provision for employee benefits	**(2,982)**
Provision for onerous lease	**(14,141)**
Net identified assets acquired	**21,548**
Add: goodwill	**-**
Net assets acquired	**21,548**

(i) Acquired land
In addition to the purchase of the CRT business as noted above, Qube purchased freehold land and improvements for $23,000,000. Stamp duty costs of $1,268,000 have also been capitalised into the value of the land in accordance with AASB116, Property, Plant and Equipment.

(ii) Acquisition related costs
Acquisition related costs of $222,000 are included in professional fees in the income statement.

(iii) Acquired receivables
The fair value of trade and other receivables is $14,494,000 which is expected to be collectible.

(iv) Revenue and profit contribution
The acquired business contributed revenues of $6,496,000 and EBIT of $484,000 to the Group for the period from 1 December 2014 to 31 December 2014. If the acquisition had occurred on 1 July 2014, consolidated revenue for the half year ended 31 December 2014 would have been $44,633,000. Qube expects to achieve substantial cost synergies and other financial benefits from integrating the acquired business into Qube's existing operations, and these cost savings formed a key element of the rationale for the acquisition.

Purchase consideration - cash outflow

	$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**21,548**
Less: Cash balances acquired	**-**
Outflow of cash - investing activities	**21,548**

11 Dividends

	Half year ended 31 Dec 2014 $'000	Half year ended 31 Dec 2013 $'000
(a) Ordinary shares		
Dividends provided for or paid during the half year	**27,843**	20,958
(b) Dividends not recognised at the end of the half year		
In addition to the above dividends, since the end of the half year the Directors have resolved to pay an interim dividend of 2.7 cents per fully paid ordinary share (December 2013 – 2.4 cents), fully franked. The aggregate amount of the proposed dividend expected to be paid on 7 April 2015 out of retained earnings at 31 December 2014, but not recognised as a liability at the end of the half year, is	**28,470**	21,895

12 Contingencies

Contingent liabilities

There has been no material change in contingent liabilities as set out in Qube's 2014 Annual Report.

13 Events occurring after the reporting period

On 7 January 2015 the Group acquired a 100% interest in ISO Limited (incorporated in New Zealand) and its wholly owned subsidiaries and associates together with a 100% interest in ISO Marshalling (Australia) LP ('ISO').

ISO is a leading provider of stevedoring and marshalling services in New Zealand, focusing on forestry products. ISO also provides marshalling services in Australia.

The initial purchase price for ISO was approximately $76 million (NZD $80 million), inclusive of net debt of around NZD $20 million assumed by Qube as part of the acquisition. In addition, deferred consideration of up to NZD $25 million may be payable in FY 18 based on the financial performance of the business over the three year period from 1 April 2015 to 31 March 2018.

Except as outlined above, there have been no events since the end of the half year which would materially impact on the financial position of the Group disclosed in the balance sheet as at 31 December 2014 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 7 to 23 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 2014 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.

Christopher D. Corrigan
Director

Sydney
23 February 2015

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

Report on the Interim 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 2014, 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 from time to time 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 2014 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 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 2014 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
23 February 2015