

Qube Holdings Limited

ABN 14 149 723 053

Interim report - 31 December 2018

Contents

Directors' report	2
Auditor's Independence Declaration	8
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	32
Independent auditor's review report to the members	33

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 2018 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

The 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 2018.

Directors

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

Allan Davies	(Non-executive Chairman)
Sam Kaplan	(Non-executive Deputy Chairman)
Maurice James	(Managing Director)
Ross Burney	(Non-executive Director)
Peter Dexter	(Non-executive Director)
Alan Miles	(Non-executive Director)
Sue Palmer	(Non-executive Director)
Åge Holm	(Alternate to Peter Dexter)

Dividend

The Directors have declared a fully franked interim dividend of 2.8 cents per share and a fully franked special dividend of 1.0 cent per share payable on 4 April 2019.

Review of operations

Overview

Qube delivered another solid financial result in the six months to 31 December 2018 with growth in revenue and earnings as well as high cashflow generation. The benefits of Qube's diversification strategy again mitigated the impact of challenging conditions in some parts of its business with a solid contribution from bulk activities including earnings from new contracts secured in the prior period, high container volumes and project work offsetting the ongoing impact of the drought and a larger than expected decline in motor vehicle imports.

In addition, sound progress has been made in relation to the planning, development and leasing activities at Qube's Moorebank Logistics Park, with rail operations on track to be operational in Q3 CY19 and the construction of the Target warehouse to be complete prior to this date.

Underlying revenue in the period increased by 5.9% over the prior corresponding period to approximately \$859.5 million, underlying earnings (EBITA) increased by 11.7% to approximately \$93.6 million and underlying net profit after tax before amortisation (NPATA) increased by 17.9% to around \$72.6 million. Pleasingly, Qube returned to solid growth in underlying earnings per share pre-amortisation (EPSA) which increased by 18.4% to 4.5 cents.

Statutory revenue increased by 5.0% to approximately \$837.0 million and statutory profit after tax attributable to shareholders increased by around 36.1% to \$61.5 million. Statutory diluted earnings per share increased by around 35.7% to 3.8 cents per share.

The underlying financial information is based on the statutory information excluding certain non-recurring and non-cash items in order to more clearly reflect the underlying earnings of the business. A reconciliation between statutory and underlying results is provided in note 2 to these financial statements.

Qube undertook several funding initiatives in the period including extending the maturity of the majority of its existing bilateral debt facilities and also establishing a number of new bilateral debt facilities with its existing lenders. The net effect of these initiatives was to extend the average maturity of Qube's debt facilities at 31 December 2018 to 5.1 years and to provide Qube with cash and available, undrawn debt facilities of around \$800 million at 31 December 2018. Qube remains conservatively leveraged with a leverage ratio (being net debt / net debt + equity) of 28.1% and significant headroom to Qube's financial covenants, thereby ensuring it continues to be well positioned to fund its growth in a manner consistent with its prudent approach to its balance sheet.

Reflecting Qube's solid financial results, high cashflow generation and positive outlook, the ordinary interim dividend has been increased by around 3.7% to 2.8 cents per share and Qube will also pay a special dividend of 1.0 cent per share, both fully franked.

The Qube Board intends to review its current dividend policy to determine whether it is appropriate to remove the current target dividend payout ratio to provide more flexibility. The expectation of any change in policy would be to support a progressive increase in fully franked dividends on a sustainable basis over time.

Although Qube remains very focussed on ensuring a safe workplace consistent with its Zero Harm policy, Qube's Lost Time Injury Frequency Rate (LTIFR) increased from 0.8 to 1.1 Lost Time Injuries (LTIs) per million hours worked since June 2018 due to a small number of incidents in the period. Unfortunately, this included the tragic fatality that occurred at Qube's Gisborne facility in New Zealand in October 2018 which was acknowledged at Qube's 2018 Annual General Meeting.

Qube's ongoing focus and commitment is to ensure it provides all its employees with a safe workplace, and Qube is continuing investing significantly in training, equipment and systems to deliver this outcome.

Qube is currently undertaking a climate change assessment across the group to understand any material climate change issues relevant for Qube's operations, which will form part of the wider sustainability strategy.

Operating Division

From 1 July 2018 onwards, Qube's Logistics and Ports & Bulk activities are reported as a single combined segment being the Operating Division, to reflect how the business is being managed and reported internally.

The Operating division reported underlying revenue growth of 5.6% to \$807.3 million and underlying earnings growth (EBITA) of 5.3% to \$82.1 million. The growth in revenue was largely attributable to the ports and bulk related activities (up 10.5% to \$441.7 million), with revenue from the logistics activities up only marginally from the prior corresponding period (+0.2% to \$365.6 million).

Logistics

Revenue and earnings in the current period benefitted from a full period's contribution from the MCS acquisition (completed December 2017) and organic growth. This included a partial period's contribution from the Altona warehouse in Victoria which was completed during the period with operations starting in September 2018. During the period, Qube also committed to develop a major new 50,000m² warehouse at the Moorebank Logistics Park and has commenced discussions with a range of potential customers for this facility which is expected to be operational in FY20.

The MCS acquisition is meeting its strategic objectives and delivering improved earnings and operational benefits to Qube. However, in the short term, rates and therefore earnings have been impacted by increased competition from new intermodal terminals at Enfield and Port Botany and in rail operations resulting from underutilised and surplus rail equipment as a consequence of the ongoing drought on the east coast of Australia.

The revenue, earnings and margins from the logistics activities in the period also reflect the ongoing impact of the drought which has resulted in a decrease in containerised grain exports and bulk grain volumes, both of which are transported on rail by Qube. In addition to the direct revenue loss from these activities, the higher than typical imbalance between full import and full export containers due to lower containerised grain exports has meant that Qube is unable to realise the full operational efficiencies from a more balanced import and export mix.

The financial performance in the period also reflects the impact of the restructure and sale by Aurizon of its interstate intermodal business. As a result, Qube's revenue and earnings from its contracts with Aurizon at North Dynon (Victoria) and Acacia Ridge (Queensland) declined in the period compared to the prior corresponding period.

Ports & Bulk

The contribution from Qube's ports activities increased as Qube stevedored a broad range of products during the period including general cargo, fertiliser, forestry products, motor vehicles, mineral sands, containers and steel. Volumes of most products increased compared to the prior corresponding period although steel volumes, motor vehicles and scrap metal products were all lower.

The construction of the Bintan Offshore Marine Centre (BOMC) facility in Bintan (Indonesia) was completed in December 2018 and operations have now commenced. A modest earnings contribution is expected in the second half of FY19 increasing from FY20 and beyond.

Revenue and earnings from Qube's bulk activities also increased from the prior corresponding period as a number of new contracts secured in the prior period commenced or ramped up. This included contracts with Whitehaven Coal, Tawana Resources and Altura Mining and the contribution from new stevedoring operations established at Whyalla Port (South Australia) in July 2018. Qube experienced solid volumes in most regions and commodities and continues to be highly diversified by customer and commodity.

In August 2018, Qube completed the acquisition of the Russell Park Industrial Estate located in Henderson, Western Australia. The property comprises a large modern industrial warehouse and distribution facility on a 12.2 ha site with nine separate warehouses of varying sizes. This is the largest bulk storage facility in the area and is ideally located on the key logistics haulage routes. The site is currently leased to two tenants and is generating passive rental income for Qube in the short to medium term.

The associates in the division (ex-Patrick) achieved improved results with an overall contribution to underlying NPAT of around \$0.9 million compared to a small loss in the prior corresponding period.

Infrastructure & Property Division

The Infrastructure & Property division delivered underlying revenue and underlying EBITA growth in the six months to 31 December 2018 of 10.4% and 36.7%, respectively, to \$52.1 million and \$20.5 million. The strong result was mainly attributable to higher earnings from Minto Properties and the Moorebank Logistics Park project which more than offset weaker earnings from AAT resulting from a larger than expected decline in vehicle imports.

Moorebank Logistics Park

The Moorebank project continued to achieve key milestones during the period across planning, construction and leasing activities.

Qube received planning approval for the IMEX terminal and warehousing on the Moorebank Precinct East (MPE) site in January 2018, however, in order to commence rail operations, Qube requires a determination from the Independent Planning Commission (IPC) for permission to subdivide the site into separate titles for the rail terminal and the warehousing components of the project. The IPC requested additional information from the Department of Planning and Environment (DPE) in order to approve the subdivision. Approval is expected by Q2 CY19.

There are also operational plans and occupation certification required prior to commencement of rail and terminal operations. The finalisation of these items are underway with the DPE and are anticipated to be completed prior to Q3 CY19.

The rail regulatory and operational commissioning approvals required for commencement of operations are well progressed. The application for the accreditation of the rail connection and terminal has been submitted to the Office of the National Rail Safety Regulator (ONRSR) as ONRSR approval and verification commissioning is required prior to operational commencement.

The physical construction works for the rail connection and the terminal are also anticipated to be completed by Q3 CY19.

Based on the current status of these activities and approvals, Qube currently expects rail operations will commence in Q3 CY19. However, this timeline is dependent on no significant delays in the finalisation of these processes and receipt of the outstanding approvals.

Although there were some delays, the planning application for Moorebank Precinct West (MPW) Stage 2 has progressed through the planning process which provides Qube with the ability to construct the interstate rail terminal and an additional 215,000m² of warehousing, enabling Qube to construct a total of 515,000 m² of warehousing. This application was reviewed by the Department of Planning and will be submitted to the Independent Planning Commission (IPC) for determination. A decision is expected by Q3 CY19.

In parallel with this planning process, construction continued to progress on the IMEX terminal, the Target warehouse and the rail link between the Southern Sydney Freight Line (SSFL) and the property boundary (including the bridge over the Georges river). Subject to all required operational approvals being received in the current expected timeframe, Qube expects rail operations to commence in Q3 CY19 and the construction of the Target warehouse to be complete prior to this date.

Qube also continued to progress land preparation and precinct infrastructure works on both its site and on the Commonwealth owned site. Towards the end of the period, Qube and the Moorebank Intermodal Company (MIC) reached agreement on resolving the disputed amount for works that had been carried out by Qube on behalf of MIC. Qube was pleased to have reached a mutually acceptable resolution on this matter that did not have a material impact on the project financials or Qube's underlying results.

Progress was also made with respect to leasing activities with considerable tenant interest.

Qube finalised the reservation agreement with a major third party which is an ideal tenant for the site due to the volumes of import freight they control and the parties are continuing discussions in relation to design development and a formal agreement for lease. In the interim, this party has commenced paying its reservation fee to Qube.

As noted, the Board has approved the capital expenditure for Qube Logistics to construct and own a 50,000m² warehouse at Moorebank to be operated by Qube on a multi-tenant basis.

In December 2018, Qube finalised agreement with a freight forwarder to lease approximately two-thirds of a new 17,800m² warehouse to be constructed and funded by Qube.

Qube continues to receive interest from other prospective tenants, and whilst some of these discussions are well progressed

there is no certainty of additional leases being finalised in the near term. Qube remains focussed on ensuring that it secures tenants that will drive import and export rail volumes to and from Port Botany and on delivering warehouses to tenants on time and budget. This includes ensuring that the required precinct infrastructure is completed ahead of individual tenant warehouse developments. Accordingly, Qube will continue to adopt a patient, targeted approach to securing tenants.

Two recent industry announcements provide further support to the value of the Moorebank project.

In the May 2018 Federal Budget, the Commonwealth Government announced that it would commit funding to the duplication of the Southern Sydney Freight Line between Port Botany and Cooks River, commencing in calendar 2019. Although the existing single rail line is not presently capacity constrained and therefore is not a risk in the short to medium term to Moorebank achieving its target volumes, the duplication will increase the capacity for the future to enable Moorebank to handle 1 million TEU's through its IMEX rail terminal. More importantly, the duplication of the rail line will substantially enhance the reliability of the network by ensuring that maintenance, derailments or similar events do not impact operational efficiency on the network.

The other major development was the announcement by NSW Ports in November 2018 that it would invest \$120 million in below ground infrastructure at Patrick's Port Botany terminal to facilitate the development by Patrick of an automated rail terminal to significantly increase the efficiency and capacity of its rail terminal from 250,000 TEU's to 1 million TEU's. Patrick has committed to spend \$70 million on operating equipment and systems for the rail activities. An important aspect of the announcement is that NSW Ports will recover its investment by adding a small charge to all containers coming through the port. NSW Ports also announced that it would undertake similar investment at the other two stevedores to enhance rail efficiency and capacity at the port that facilitates the NSW Government objective to increase the rail modal share above the current level of approximately 20%.

These two developments significantly reduce two of the key potential risks associated with the Moorebank development being the ability of the stevedores to efficiently handle rail and the perceived reliability of the rail network to handle large volumes of freight moving between Port Botany and Moorebank.

AAT

AAT continued to generate strong cashflow in the period although revenue and earnings were lower than the prior corresponding period as a result of the exit of AAT from Webb Dock in December 2017 and the significant decline in vehicles and roll on/ roll-off cargo compared to prior period. This was partly offset by an increase in general and project cargo such as windmills as well as bulk volumes.

Minto Properties

The Minto Properties generated increased rental earnings in the period as a result of the full occupancy of the site following completion of the capex and new lease agreements that commenced in June 2018.

Associates in the division

The associates in the division also achieved improved results although still reported an overall loss. The underlying NPAT loss was \$0.4 million compared to an underlying loss of \$1.1 million in the prior corresponding period. The loss was largely attributable to Quattro which continues to be impacted by low levels of grain volumes through its facility as a result of the drought.

Patrick

The contribution from Qube's 50% interest in Patrick was well ahead of the prior period, contributing \$15.0 million NPAT and \$19.1 million NPATA, an increase of 15.4% and 15.1% respectively over the prior corresponding period. This contribution is inclusive of Qube's share of interest income (\$8.5 million post-tax) on the shareholder loans provided to Patrick. Patrick continued to generate strong cashflow in the period, distributing \$40 million to Qube through a combination of interest, franked dividends and capital return. The statutory contribution to Qube's NPAT (being interest income and share of profit after tax) was a profit after tax of \$15.2 million.

The financial performance was assisted by another period of solid growth in container volumes in the six months to 31 December 2018 (around 4.4% increase in TEUs or 3.4% increase in lifts). There was a decline in the growth rate towards the end of the period and the full year volume growth rate is currently expected to be below the growth in the first half and more in line with Qube's long term expected growth rate in TEU's of 3-4%.

Patrick increased its market share in the period with Patrick's TEU's growing by around 9.3% in the six month period and lifts by 8.1%. In the six months to 31 December 2018, Patrick's market share (in lifts) across the four terminals at which it operates was approximately 45% compared to 43% in the previous corresponding period. Patrick's volume growth and market share gain reflects the solid market growth and additional volumes from services secured during the second half of FY18 and at the start of FY19. Patrick management is continuing to focus on improving its productivity to ensure it

maintains its superior customer service and its high level of customer retention.

As noted above, in November 2018, NSW Ports announced that it was prepared to undertake substantial investment at Port Botany to significantly increase on-dock rail capacity at Port Botany's three stevedore terminals. Patrick is the initial beneficiary of this investment as a result of its advanced planning for its automated rail terminal and commitment to invest around \$70 million in operating equipment and systems.

Patrick's investment will deliver facilities with four rail sidings that are 600 metres long and the introduction of new automated rail mounted gantries will allow faster stripping and loading of trains, thereby supporting much earlier availability of containers for importers.

When completed, Patrick's automated rail terminal will have a throughput capacity of about 1 million TEU per year. Rail access to the existing Patrick terminal is intended to remain throughout the project delivery. The project is due to be completed by 2023.

During the period, the Fremantle Ports Authority undertook a tender process for the leases at the two terminals at Fremantle Port. Patrick's existing lease at Fremantle expires on 30 June 2019. In early February 2019, Patrick was advised that it had been nominated as preferred operator of its existing site for an initial seven year lease term, subject to negotiation of the relevant agreements.

In February 2019, Patrick announced that it would be increasing the infrastructure levy at its three east coast facilities, effective from 4 March 2019. These increases are necessary to mitigate the ongoing cost increases affecting the business and to ensure a reasonable return on Patrick's significant investment across its terminals to improve the efficiency of its landside logistics interface. Patrick believes that it is appropriate for the cost of this investment to be partly recovered from the key beneficiaries of the investment.

Summary and Outlook

Qube delivered solid results in the six months to 31 December 2018 with pleasing contributions from all divisions despite challenging conditions in some parts of the business. The results again highlight the importance of Qube's diversification, strong market positions, and ongoing investment in equipment, facilities, technology and people to ensure it delivers a reliable, cost-effective logistics solution to its customers.

Qube's Moorebank Logistics Park project is currently progressing in line with management's expectations across planning, construction and leasing activities, and rail operations are expected to commence in Q3 CY19, with the construction of the Target warehouse to be complete prior to this date. This assumes that there are no further delays with the planning process or receiving the remaining required approvals.

Qube expects the economic and operating environment for the remainder of FY19 to be similar to the first half. Although Qube expects a solid second half earnings contribution (NPATA) that is well ahead of the corresponding prior year period, it presently expects the overall NPATA in the second half of FY19 will be lower than the first half result. This reflects several factors including seasonality in parts of the business and an expected slowdown in container volume growth in the second half of FY19.

Overall, subject to no material adverse change to economic or operating conditions, Qube maintains its previous guidance and expects to deliver a solid increase in underlying net profit after tax (pre-amortisation) and a return to underlying earnings per share (pre-amortisation) growth in FY19.

Matters subsequent to the end of the period

Other than as noted above, no other matter or circumstances has arisen since 31 December 2018 that has significantly affected the Qube's operations, results or state of affairs, or may do so in future years.

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 8.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest hundred thousand dollars in accordance with that ASIC Corporations Instrument.

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



Allan Davies
Chairman

Sydney
20 February 2019



Auditor's Independence Declaration

As lead auditor for the review of Qube Holdings Limited for the half-year ended 31 December 2018, 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.

A handwritten signature in black ink, appearing to read 'Brett Entwistle'.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
20 February 2019

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Liability limited by a scheme approved under Professional Standards Legislation.

Qube Holdings Limited
Consolidated statement of comprehensive income
For the half year ended 31 December 2018

	Notes	31 Dec 2018 \$m	31 Dec 2017 \$m
Revenue from continuing operations			
Revenue from sales and services	3	812.8	777.0
Other income	3	24.2	20.2
Total income		837.0	797.2
Direct transport and logistics costs		204.5	216.1
Repairs and maintenance costs		42.1	37.1
Employee benefits expense	4	321.5	299.7
Fuel, oil and electricity costs		63.1	47.0
Occupancy and property costs		45.7	45.5
Depreciation and amortisation expense	4	59.9	56.6
Professional fees		4.9	2.1
Impairment of non-current assets		-	6.0
Other expenses		7.3	15.3
Total expenses		749.0	725.4
Finance income		14.5	13.2
Finance costs	4	(23.9)	(21.2)
Net finance costs		(9.4)	(8.0)
Share of net profit of associates accounted for using the equity method		7.0	3.0
Profit before income tax		85.6	66.8
Income tax expense		(24.5)	(21.6)
Profit for the half year		61.1	45.2
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		2.7	(2.7)
Change in fair value of cash flow hedges		2.4	(1.2)
Share of other comprehensive income of joint venture		(0.2)	1.2
Total comprehensive income for the half year, net of tax		66.0	42.5
Profit for the half year attributable to:			
Owners of Qube Holdings Limited		61.5	45.2
Non-controlling interests		(0.4)	-
		61.1	45.2
Total comprehensive income for the half year is attributable to:			
Owners of Qube Holdings Limited		66.4	42.5
Non-controlling interests		(0.4)	-
		66.0	42.5
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		3.8	2.8
Diluted earnings per share		3.8	2.8

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

Qube Holdings Limited
Consolidated balance sheet
As at 31 December 2018

	Notes	31 Dec 2018 \$m	30 June 2018 \$m
ASSETS			
Current assets			
Cash and cash equivalents		107.0	103.9
Trade and other receivables		341.5	320.7
Inventories		2.5	2.4
Derivative Financial Instruments		1.7	0.4
Total current assets		<u>452.7</u>	<u>427.4</u>
Non-current assets			
Loans and receivables	10	328.8	328.8
Investment in equity accounted investments	5	693.8	716.8
Property, plant and equipment		1,114.3	1,006.7
Investment properties	9	796.8	701.6
Intangible assets	6	838.5	833.6
Derivative financial instruments		21.2	1.5
Other assets		24.3	18.6
Total non-current assets		<u>3,817.7</u>	<u>3,607.6</u>
Total assets		<u>4,270.4</u>	<u>4,035.0</u>
LIABILITIES			
Current liabilities			
Trade and other payables		168.4	144.8
Borrowings	8	50.7	1.7
Current tax payable		15.0	17.9
Derivative financial instruments		-	0.2
Provisions		78.1	80.2
Total current liabilities		<u>312.2</u>	<u>244.8</u>
Non-current liabilities			
Trade and other payables		2.1	0.4
Borrowings	8	1,129.4	964.3
Deferred tax liabilities		72.4	64.8
Derivative financial instruments		3.9	0.9
Provisions		11.5	9.7
Total non-current liabilities		<u>1,219.3</u>	<u>1,040.1</u>
Total liabilities		<u>1,531.5</u>	<u>1,284.9</u>
Net assets		<u>2,738.9</u>	<u>2,750.1</u>
EQUITY			
Contributed equity	7	2,464.6	2,454.9
Reserves		13.6	18.7
Retained earnings		261.4	276.8
Capital and reserves attributable to owners of Qube		<u>2,739.6</u>	<u>2,750.4</u>
Non-controlling interests		(0.7)	(0.3)
Total equity		<u>2,738.9</u>	<u>2,750.1</u>

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

Qube Holdings Limited
Consolidated statement of changes in equity
For the half year ended 31 December 2018

		Attributable to owners				Non-controlling interests	Total equity
		Contributed equity	Reserves	Retained earnings	Total		
Balance at 1 July 2017		2,450.5	(3.0)	165.1	2,612.6	-	2,612.6
Profit for the half year		-	-	45.2	45.2	-	45.2
Other comprehensive income		-	(2.7)	-	(2.7)	-	(2.7)
Total comprehensive income for the half year		-	(2.7)	45.2	42.5	-	42.5
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	7	1.2	-	-	1.2	-	1.2
Issue of treasury shares to employees	7	1.6	-	-	1.6	-	1.6
Dividends provided for or paid	11	-	-	(44.5)	(44.5)	-	(44.5)
Fair value movement on allocation and vesting of securities	7	(0.1)	-	-	(0.1)	-	(0.1)
Transactions with non-controlling interests		-	-	-	-	-	-
Employee share schemes		-	15.6	-	15.6	-	15.6
		2.7	15.6	(44.5)	(26.2)	-	(26.2)
Balance at 31 December 2017		2,453.2	9.9	165.8	2,628.9	-	2,628.9
Balance at 1 July 2018		2,454.9	18.7	276.8	2,750.4	(0.3)	2,750.1
Profit for the half year		-	-	61.5	61.5	(0.4)	61.1
Other comprehensive income		-	4.9	-	4.9	-	4.9
Total comprehensive income for the half year		-	4.9	61.5	66.4	(0.4)	66.0
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	7	1.5	-	-	1.5	-	1.5
Issue of treasury shares to employees	7	14.5	-	-	14.5	-	14.5
Acquisition of treasury shares	7	(3.9)	-	-	(3.9)	-	(3.9)
Dividends provided for or paid	11	-	-	(76.9)	(76.9)	-	(76.9)
Fair value movement on allocation and vesting of securities	7	(2.4)	-	-	(2.4)	-	(2.4)
Employee share schemes		-	(10.0)	-	(10.0)	-	(10.0)
		9.7	(10.0)	(76.9)	(77.2)	-	(77.2)
Balance at 31 December 2018		2,464.6	13.6	261.4	2,739.6	(0.7)	2,738.9

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

Qube Holdings Limited
Consolidated statement of cash flows
For the half year ended 31 December 2018

	Notes	31 Dec 2018 \$m	31 Dec 2017 \$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		903.2	861.7
Payments to suppliers and employees (inclusive of goods and services tax)		(765.5)	(737.8)
		137.7	123.9
Dividends and distributions received		8.4	1.5
Interest received		14.2	0.8
Interest paid		(27.7)	(24.4)
Income taxes paid		(21.0)	(16.1)
Net cash inflow from operating activities		111.6	85.7
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		(4.5)	(92.6)
Payments for property, plant and equipment		(157.9)	(66.6)
Payments for investment property development expenditure		(77.8)	(54.2)
Payment for non-current other assets		(9.0)	(2.9)
Payments for investment in equity accounted investments		(0.1)	(0.4)
Loans advanced to related parties		(3.9)	(3.3)
Loan repayments received from associates and related parties		0.1	14.2
Proceeds from reduction in capital from associates		21.6	8.8
Proceeds from sale of property, plant and equipment		2.8	2.9
Net cash outflow from investing activities		(228.7)	(194.1)
Cash flows from financing activities			
Share issue transaction costs		-	(0.8)
Payment for treasury shares	7	(3.9)	-
Proceeds from borrowings		310.0	534.6
Repayment of borrowings		(110.0)	(450.0)
Finance lease payments		(0.9)	(0.4)
Dividends paid to Company's shareholders		(75.4)	(42.7)
Net cash inflow from financing activities		119.8	40.7
Net decrease in cash and cash equivalents		2.7	(67.7)
Cash and cash equivalents at the beginning of the half year		103.9	190.8
Effects of exchange rate changes on cash and cash equivalents		0.4	(0.3)
Cash and cash equivalents at the end of the half year		107.0	122.8
 Non-cash investing and financing activities		 1.5	 1.7

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 incorporated and domiciled in Australia. The consolidated interim financial report of the Company for the half year ended 31 December 2018 comprises the Company and its controlled entities (the Group) and the Group's interests in joint ventures and associates.

The consolidated interim financial report was approved by the Directors on 20 February 2019.

Statement of compliance

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

The consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Company is a company of a kind referred to in accordance with ASIC Corporations Instrument 2016/191, and amounts in the consolidated interim financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Significant accounting policies

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are consistent with those applied by the Group in the financial report for the year ended 30 June 2018 and the corresponding interim reporting period, except for the adoption of new and amended standards as set out below:

New and amended standards adopted by the group

The following new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies. No adjustments to the amounts recognised in the financial statements have been recorded. The new accounting policies are set out below. In accordance with the transitional provisions comparative figures have not been restated.

Classification and measurement of financial instruments

Whilst no changes have been made to the classification and measurement of financial liabilities, AASB 9 removes the following classification of financial assets – held to maturity, loans and receivables and available for sale. It requires financial assets, debt and equity investments to be classified between the following measurement categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); or
- Fair value through other comprehensive income (FVOCI).

The classification depends on the business model for managing the financial asset and the contractual terms of the cash flows.

1 Basis of preparation of half year report (continued)

The following table illustrates the measurement requirements of AASB 9:

	Initial recognition	Subsequent measurement
Amortised Costs	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	Measured at amortised cost using the effective interest rate method, and reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
FVTPL	Measured at fair value. Any transaction costs of acquisition are recognised in the profit or loss.	These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.
FVOCI	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	These assets are subsequently measured at fair value. Net gains and losses are recognised in OCI and are never reclassified to profit or loss.

There has been no impact as a result of these changes to the Group's financial statements for the half year ended 31 December 2018.

Impairment

AASB 9 replaces the incurred loss model of AASB 139 with an expected credit loss (ECL) model. The ECL model applies to financial assets measured at amortised cost and debt instruments at amortised cost. The group was required to revise its impairment methodology under AASB 9 for each of these classes of assets.

Trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The result of the assessment is there is no material impact of the new impairment model as required by AASB 9. The loss allowances decreased by \$2.4 million to \$6.1 million for trade receivables during the six months to 31 December 2018. The decrease would have been the same under the incurred loss model of AASB 139. Trade receivables are written off when there is no reasonable expectation of recovery.

Debt instruments

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the groups past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Hedging

The new hedge accounting rules have aligned the accounting for hedging instruments more closely with the Group's risk management practices. It is expected that more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9.

In line with expectations as noted within the Group financial report for the year ended 30 June 2018 there has been no impact to Retained earnings.

AASB 15 Revenue from contracts with customers

AASB 15 applies to all revenues arising from contracts with customers unless the contracts are within the scope of other standards, such as AASB 16 Leases. The standard outlines the application principles to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration it expects to be entitled to in exchange for fulfilling its performance obligations to a customer.

The Group has performed an analysis of the impact of this standard on the Group's revenue streams. No material measurement differences have been identified between AASB 118, the current revenue recognition standard, and AASB 15. This was in line with expectations as the revenue cycles within the Group are predominantly short term, high volume and low value in nature. For further information on revenue and other income refer to Note 2 and Note 3.

1 Basis of preparation of half year report (continued)

Impact of standards issued but not yet applied by the entity

AASB 16 will result in almost all leases being recognised on the Balance Sheet, as the distinction between operating and finance leases is removed. The new standard is required to be applied for the financial year commencing on 1 July 2019.

Under the new standard, a lessee is in essence required to:

- Recognise all right of use assets and lease liabilities, with the exception of short term (under 12 months) and low value leases, on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term. This includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset reflects the lease liability, initial direct costs, any lease payments made before the commencement date of the lease, less any lease incentives and, where applicable, provision for dismantling and restoration.
- Recognise depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

This standard will have a material impact on the Group's earnings and shareholders' funds at transition and in future years. At a high level the impact of the new standard in the initial part of a lease is to reduce net profit as the depreciation and finance expense exceed the rental expense (i.e. the cash payment is lower than the accounting expense). This effect reverses in the latter stages of the lease as the finance costs become lower (i.e. the cash payment is higher than the accounting expense). The adoption of the new standard will have the impact of increasing EBITDA in future years as the rental expense will no longer be included within EBITDA.

The standard must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach.

AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts as leases under current accounting standards to be carried over to AASB 16. Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease.

Under AASB 16 the present value of the Group's operating lease commitments as defined under the new standard, excluding low value leases and short term leases, will be shown as right of use assets or investment property and as lease liabilities on the balance sheet. As at the reporting date, the group has non-cancellable operating lease commitments of \$570.9 million. The group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit, net assets and classification of cash flows.

Work on the detailed review of contracts and financial reporting is continuing including an assessment of the additional software requirements needed to administer the leases.

2 Segment information

Qube's Board assesses the performance of the operating segments on a measure of underlying revenue, EBITDA and EBITA, NPAT and NPATA which excludes certain non-cash and non-recurring items from the statutory results to reflect core earnings. This reflects the way the operating businesses are managed and assessed from a profit and loss perspective by the chief operating decision maker.

(a) Description of segments

Management has determined the operating segments based on the reports used by the Board to make strategic decisions. From 1 July 2018 onwards, Qube will be presenting its Logistics and Ports & Bulk activities as a single combined segment being the Operating Division, to reflect how the business is being managed and reported internally.

Operating Division

Logistics provides a broad range of services relating to the import and export of mainly 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 container parks, customs and quarantine services, warehousing, intermodal terminals, international freight forwarding and bulk rail haulage for rural commodities. Logistics operates nationally with strategic locations near the ports in key capital cities.

Ports & Bulk has two core activities comprising port logistics and bulk logistics. It provides 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. The main operations are located in Western Australia and Queensland with operations in New Zealand.

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 stevedoring, processing and delivery. Qube's port logistics 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, storage facilities and stevedoring. Qube handles a diverse range of commodities including iron ore, copper, nickel concentrate and mineral sands.

Infrastructure & Property

This division currently comprises the Moorebank Logistics Park Project, AAT, a strategically located property at Minto in Sydney's south west and non-controlling interests in the Quattro Grain joint venture (40.4%) and TQ Holdings Pty Limited (50%).

The Moorebank Logistics Park Project is a 243 hectare parcel of land owned by Qube and the Commonwealth Government which is leased by Qube for 99 years to be developed into an intermodal hub. Qube will manage the development and operations of the overall project. This development will include port-shuttle and interstate rail terminals as well as substantial warehousing development targeting tenants that will also benefit from efficient rail and logistics services.

AAT is a multi-user facility provider to the Australian stevedoring industry, operating terminals with facilities for importing and exporting motor vehicles and general cargo.

The Quattro Grain joint venture operates a grain storage and handling facility at Port Kembla on land that is leased from Qube's subsidiary AAT.

TQ Holdings, which is a 50% joint venture with Japanese petroleum group JXTG Group. ('Tonen'), is progressing the analysis and approvals for the construction and operation of a fuel storage facility at Port Kembla on land leased from NSW Ports.

Patrick

Patrick is one of two established national operators providing container stevedoring services in the Australian market with operations in the four largest container terminal ports in Australia. Given the material nature of this investment to Qube, this joint venture is being reported as a separate segment.

Corporate and Other

The primary focus of Corporate and Other 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

Half year ended 31 December 2018	Logistics \$m	Ports & Bulk \$m	Operating Division*** \$m	Infrastructure & Property \$m	Corporate & Other \$m	Patrick* \$m	Total \$m
Revenue and other income			807.3	29.6	0.1	-	837.0
Intercompany trading			-	22.5	-	-	22.5
Fair value gains			-	-	-	-	-
Other adjustments			-	-	-	-	-
Underlying Revenue			807.3	52.1	0.1	-	859.5
A reconciliation of net profit before income tax to underlying net profit after tax attributable to members is as follows:							
Net profit/(loss) before income tax			102.1	(4.4)	(30.9)	18.8	85.6
Share of (profit)/loss of equity accounted investments			(0.7)	0.4	-	(6.7)	(7.0)
Net finance (income)/cost			(0.5)	0.1	21.9	(12.1)	9.4
Depreciation and amortisation			55.0	4.8	0.1	-	59.9
EBITDA			155.9	0.9	(8.9)	-	147.9
Fair value gains			-	-	-	-	-
Impairment of investment in associate			-	-	-	-	-
Intercompany trading			(22.5)	22.5	-	-	-
Other			-	-	-	-	-
Underlying EBITDA			133.4	23.4	(8.9)	-	147.9
Depreciation			(51.3)	(2.9)	(0.1)	-	(54.3)
Underlying EBITA			82.1	20.5	(9.0)	-	93.6
Amortisation			(3.7)	(1.9)	-	-	(5.6)
Underlying EBIT			78.4	18.6	(9.0)	-	88.0
Underlying net finance income/(cost)			0.5	0.1	(19.0)	12.1	(6.3)
Underlying share of profit/(loss) of equity accounted investments			0.9	(0.4)	-	6.5	7.0
Underlying net profit/(loss) before income tax			79.8	18.3	(28.0)	18.6	88.7
Underlying income tax expense			(23.7)	(5.6)	8.4	(3.6)	(24.5)
Underlying net profit/(loss) after tax			56.1	12.7	(19.6)	15.0	64.2
Underlying non-controlling interests			0.4	-	-	-	0.4
Underlying net profit/(loss) after tax attributable to members			56.5	12.7	(19.6)	15.0	64.6
Underlying net profit/(loss) after tax before amortisation attributable to members**			59.1	14.0	(19.6)	19.1	72.6
Underlying diluted earnings per share (cents)							4.0
Underlying diluted earnings pre-amortisation per share (cents)							4.5
Total segment assets			2,037.9	1,218.9	64.4	949.2	4,270.4
Total assets includes:							
Investments in associates and joint ventures			28.9	44.6	-	620.3	693.8
Loans and receivables			-	-	-	328.8	328.8
Additions to non-current assets (other than financial assets and deferred tax)			141.9	146.6	1.2	-	289.7
Total segment liabilities			238.1	52.4	1,241.0	-	1,531.5

2 Segment information (continued)

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

Half year ended 31 December 2017	Logistics \$m	Ports & Bulk \$m	Operating Division*** \$m	Infrastructure & Property \$m	Corporate & Other \$m	Patrick* \$m	Total \$m
Revenue and other income	365.0	399.6	764.6	32.5	0.1	-	797.2
Intercompany trading	-	-	-	22.4	-	-	22.4
Fair value gains	-	-	-	(5.8)	-	-	(5.8)
Other adjustments	-	-	-	(1.9)	-	-	(1.9)
Underlying Revenue	365.0	399.6	764.6	47.2	0.1	-	811.9

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

Net profit/(loss) before income tax	33.3	51.4	84.7	(4.7)	(30.0)	16.8	66.8
Share of (profit)/loss of equity accounted investments	-	0.2	0.2	1.1	-	(4.3)	(3.0)
Net finance (income)/cost	(0.2)	0.3	0.1	0.1	20.3	(12.5)	8.0
Depreciation and amortisation	15.9	35.4	51.3	5.2	0.1	-	56.6
EBITDA	49.0	87.3	136.3	1.7	(9.6)	-	128.4
Fair value gains	-	-	-	(5.8)	-	-	(5.8)
Impairment of investment in associate	-	6.0	6.0	-	-	-	6.0
Intercompany trading	-	(22.4)	(22.4)	22.4	-	-	-
Other	1.4	3.8	5.2	-	0.5	-	5.7
Underlying EBITDA	50.4	74.7	125.1	18.3	(9.1)	-	134.3
Depreciation	(14.4)	(32.7)	(47.1)	(3.3)	(0.1)	-	(50.5)
Underlying EBITA	36.0	42.0	78.0	15.0	(9.2)	-	83.8
Amortisation	(1.4)	(2.8)	(4.2)	(1.9)	-	-	(6.1)
Underlying EBIT	34.6	39.2	73.8	13.1	(9.2)	-	77.7
Underlying net finance income/(cost)	0.2	(0.3)	(0.1)	(0.1)	(17.5)	12.5	(5.2)
Underlying share of profit/(loss) of equity accounted investments	-	(0.2)	(0.2)	(1.1)	-	4.3	3.0
Underlying net profit/(loss) before income tax	34.8	38.7	73.5	11.9	(26.7)	16.8	75.5
Underlying income tax expense	(10.4)	(11.7)	(22.1)	(3.9)	8.0	(3.8)	(21.8)
Underlying net profit/(loss) after tax attributable to members	24.4	27.0	51.4	8.0	(18.7)	13.0	53.7
Underlying net profit/(loss) after tax before amortisation attributable to members**	25.4	29.0	54.4	9.3	(18.7)	16.6	61.6

Underlying diluted earnings per share (cents)

3.4

Underlying diluted earnings pre-amortisation per share (cents)

3.8

Total segment assets	893.3	1,034.3	1,927.6	819.4	25.6	991.1	3,763.7
Total assets includes:							
Investments in associates and joint ventures	-	36.3	36.3	45.0	-	662.3	743.6
Loans and receivables	-	-	-	-	-	328.8	328.8
Additions to non-current assets (other than financial assets and deferred tax)	110.6	35.2	145.8	65.4	0.2	-	211.4
Total segment liabilities	88.5	130.9	219.4	29.9	885.5	-	1,134.8

*A reconciliation of the Patrick underlying contribution to the Qube results can be found in Note 5.

**Underlying net profit/(loss) after tax pre-amortisation, includes an adjustment for Qube's proportionate share of Patrick amortisation net of tax.

*** Logistics and Ports & Bulk divisions have been combined into the Operating Division.

2 Segment information (continued)

Underlying Information is determined as follows:

Underlying revenues and expenses are statutory revenues and expenses adjusted to exclude certain non-cash and non-recurring items in order to more accurately reflect the underlying performance of Qube. 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 no single customer's 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.

(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 debt facilities for ISO) are managed centrally by the treasury function and are not considered to be segment liabilities.

3 Revenue and other income

Sales revenue

	Half year ended 31 Dec 2018 \$m	31 Dec 2017 \$m
Logistics	362.6	364.3
Ports & Bulk	440.4	396.9
Other	9.8	15.8
Total transport and logistics services rendered	<u>812.8</u>	<u>777.0</u>

Other income

Rental and property related income	10.6	6.9
Fair value gains on investment property	-	5.8
Procurement management fees	3.8	4.0
Other	9.8	3.5
Total other income	<u>24.2</u>	<u>20.2</u>

4 Expenses

(a) Profit before income tax includes the following specific expenses

Depreciation

Buildings	1.9	1.4
Plant and equipment	47.4	43.6
Leasehold improvements	5.0	5.5
Total depreciation	<u>54.3</u>	<u>50.5</u>

Amortisation

Customer contracts	3.7	4.2
Port Concessions	1.9	1.9
Total amortisation	<u>5.6</u>	<u>6.1</u>

Total depreciation and amortisation expense	<u>59.9</u>	<u>56.6</u>
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Finance expenses

Interest and finance charges paid/payable to other persons	21.1	21.4
Fair value loss/(gain) on derivative instruments	2.8	(0.2)
Total finance costs expense	<u>23.9</u>	<u>21.2</u>

Rental expense relating to operating leases

Property	36.1	37.1
Motor vehicles	1.4	1.0
Plant and equipment	14.6	17.2
Total rental expense relating to operating leases	<u>52.1</u>	<u>55.3</u>

Employee benefits expense

Defined contribution superannuation expenses	20.2	18.7
Share based payment expenses	3.1	2.9
Other employee benefits expense	298.2	278.1
Total employee benefits expense	<u>321.5</u>	<u>299.7</u>

(b) Income tax

The effective tax rate for the half year to 31 December 2018 was 29%, compared to 32% for the half year ended 31 December 2017.

5 Investments accounted for using the equity method

(a) Movements in carrying amounts

Set out below are the associates and joint ventures of the Group as at 31 December 2018. The entities listed below have share capital/units consisting solely of ordinary shares/units, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All entities are accounted for using the equity method.

Name of entity	Place of business/country of incorporation	% Ownership interest		Carrying amount	
		31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018
		%	%	\$m	\$m
Patrick ¹	Australia	50	50	620.3	641.6
Other equity accounted investments				73.5	75.2
Total equity accounted investments				693.8	716.8

¹ The Group's 50% investment in Patrick is held through PTH No. 1 Pty Ltd. The carrying amount above excludes shareholder loans provided by Qube to PTH No.1 of \$328.8 million (\$328.8 million in June 2018) which also forms part of Qube's total investment in Patrick.

Other than Patrick, the Group's equity accounted investments are considered individually immaterial and are discussed in part (c) below.

(b) Summarised financial information of joint ventures

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

PTH No. 1 Pty Ltd (Patrick)			PTH No. 1 Pty Ltd (Patrick)		
	31 Dec 2018	30 June 2018		31 Dec 2018	30 June 2018
	\$m	\$m		\$m	\$m
Summarised balance sheet			Reconciliation to carrying amounts		
<i>Current assets</i>			Opening net assets	1,156.2	1,209.2
Cash and cash equivalents	88.9	101.3	Profit for the period	13.4	17.4
Other current assets	107.4	97.2	Dividends	(12.7)	(12.6)
Total current assets	196.3	198.5	Return of capital	(43.3)	(57.2)
Non-current assets	2,809.0	2,848.6	Movement in reserves	(0.3)	(0.6)
<i>Current liabilities</i>			Closing net assets	1,113.3	1,156.2
Financial liabilities*	498.5	-	Group's share in %	50%	50%
Other current liabilities	85.0	109.1	Group's share in \$m	556.7	578.1
Total current liabilities	583.5	109.1	Goodwill	63.6	63.5
<i>Non-current liabilities</i>			Carrying amount	620.3	641.6
Financial liabilities*	496.7	993.4	Revenue	313.7	286.2
Shareholder loans	659.3	659.2	Interest Income	2.1	2.1
Other non-current liabilities	152.4	129.2	Depreciation & amortisation	(45.3)	(46.8)
Total non-current liabilities	1,308.4	1,781.8	Interest expense	(44.4)	(44.1)
Net Assets	1,113.4	1,156.2	Income tax expense	(6.0)	(0.4)
* - (excluding trade payables)			Profit for the period	13.4	8.6
			Other comprehensive income	(0.3)	2.3
			Total comprehensive income	13.1	10.9

5 Investments accounted for using the equity method (continued)

(b) Summarised financial information of joint ventures (continued)

A reconciliation of the underlying trading performance of Patrick to Qube's share of underlying net profit after tax per Note 2 is included in the table below for the half years ended 31 December 2018 and 31 December 2017

Patrick underlying contribution reconciliation (100%)

For the half year ended 31 December 2018

	Statutory \$m	Underlying Adjustments \$m	Underlying \$m
Revenue	313.7	-	313.7
EBITDA	106.2	-	106.2
EBITA	72.5	-	72.5
EBIT	60.9	-	60.9
Interest expense (net) - External	(17.3)	(0.8)	(18.1)
Interest expense - Shareholders	(24.2)	-	(24.2)
Net profit before tax	19.4	(0.8)	18.6
Tax (@ 30%)	(6.0)	0.4	(5.6)
Net profit after tax	13.4	(0.4)	13.0
Net profit after tax pre-amortisation	21.5	(0.4)	21.1
Qube share (50%) of net profit after tax	6.7	(0.2)	6.5
Qube interest income net of tax from Patrick ¹	8.5	-	8.5
Qube net profit after tax from Patrick	15.2	(0.2)	15.0
Qube share (50%) of net profit after tax pre-amortisation	10.8	(0.2)	10.6
Qube net profit after tax pre-amortisation from Patrick	19.3	(0.2)	19.1

Patrick underlying contribution reconciliation (100%)

For the half year ended 31 December 2017

	Statutory \$m	Underlying Adjustments ² \$m	Underlying \$m
Revenue	286.2	-	286.2
EBITDA	97.6	3.2	100.8
EBITA	61.2	3.2	64.4
EBIT	51.0	3.2	54.2
Interest expense (net) - External	(17.1)	-	(17.1)
Interest expense - Shareholders	(24.9)	-	(24.9)
Net profit before tax	9.0	3.2	12.2
Tax (@ 30%)	(0.4)	(3.2)	(3.6)
Net profit after tax	8.6	-	8.6
Net profit after tax pre-amortisation	15.7	-	15.7
Qube share (50%) of net profit after tax	4.3	-	4.3
Qube interest income net of tax from Patrick ¹	8.7	-	8.7
Qube net profit after tax from Patrick	13.0	-	13.0
Qube share (50%) of net profit after tax pre-amortisation	7.9	-	7.9
Qube net profit after tax pre-amortisation from Patrick	16.6	-	16.6

¹Qube's share of shareholder interest income is subject to a prima facie 30% tax charge, whereas Qube's share of profit from Patrick trading results has already been tax effected.

² The prior period underlying adjustments included \$3.2 million in other non-recurring separation and set-up costs.

5 Investments accounted for using the equity method (continued)

(c) Individually immaterial associate and joint venture

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

	31 Dec 2018 \$m	30 June 2018 \$m
Aggregate carrying amount of individually immaterial associates and joint venture	73.5	75.2
Aggregate amounts of the Group's share of:		
Profit/(Loss) for the period	0.3	(1.3)
Other comprehensive income	-	-
Total comprehensive income	0.3	(1.3)

(d) Commitments and contingent liabilities of associates and joint ventures

There has been no material change in contingent liabilities of associates as set out in Qube's 2018 Annual Report.

Commitments – joint ventures

Commitments to provide funding for joint venture's capital commitments if called	-	-
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Contingent liabilities – joint ventures

Share of joint venture's contingent liabilities	-	-
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(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 PTH No. 1 Pty Ltd and Qube's other 50% owned associates the Group does not have the ability to affect returns of these entities without the prior consent of the remaining shareholders.

6 Intangible assets

	Goodwill \$m	Port Concessions \$m	Customer contracts \$m	Total \$m
Year ended 30 June 2018				
Opening net book amount	646.4	111.3	24.5	782.2
Acquisition of a business	71.8	-	-	71.8
Sale of a business	(8.0)	-	-	(8.0)
Exchange differences	(0.7)	-	(0.1)	(0.8)
Amortisation charge	-	(3.7)	(7.9)	(11.6)
Closing net book amount	709.5	107.6	16.5	833.6
At 30 June 2018				
Cost	709.5	113.5	67.3	890.3
Accumulated amortisation	-	(5.9)	(50.8)	(56.7)
Net book amount	709.5	107.6	16.5	833.6
Half year ended 31 December 2018				
Opening net book amount	709.5	107.6	16.5	833.6
Acquisition of a business	9.8	-	-	9.8
Exchange differences	0.6	-	0.1	0.7
Amortisation charge	-	(1.9)	(3.7)	(5.6)
Closing net book amount	719.9	105.7	12.9	838.5
At 31 December 2018				
Cost	719.9	113.5	67.3	900.7
Accumulated amortisation	-	(7.8)	(54.4)	(62.2)
Net book amount	719.9	105.7	12.9	838.5

7 Equity securities issued

	31 Dec 2018 Shares	31 Dec 2017 Shares	31 Dec 2018 \$m	31 Dec 2017 \$m
(a) Issues of ordinary shares during the half year				
Opening balance as at 1 July	1,604,988,151	1,603,556,502	2,472.0	2,469.2
Dividend reinvestment plan	557,133	674,191	1.5	1.7
Less: Share issue Transaction costs net of tax			-	(0.5)
Closing balance 31 December	1,605,545,284	1,604,230,693	2,473.5	2,470.4
(b) Movements in treasury shares during the half year				
Opening balance as at 1 July	(6,861,673)	(7,566,410)	(17.1)	(18.7)
Treasury shares purchased	(1,500,000)	-	(3.9)	-
Transfer of treasury shares	6,232,937	710,131	14.5	1.6
Fair value movement on allocation and vesting of securities			(2.4)	(0.1)
Closing balance 31 December	(2,128,736)	(6,856,279)	(8.9)	(17.2)
Total contributed equity	1,603,416,548	1,597,374,414	2,464.6	2,453.2

Treasury shares

Treasury shares are shares in Qube Holdings Limited held by the Qube Holdings Limited Employee Share Trust for the purpose of allocating shares that vest under the Short-Term Incentive Plan (STI) and the Long-Term Incentive Plan (LTI). Details of the plans were disclosed in the Remuneration Report of the Qube Holdings Limited 2018 Annual Report.

8 Borrowings

Several funding initiatives were undertaken during the period that had the overall effect of extending the average maturity of Qube's debt facilities from 4.9 years at 30 June 2018 to 5.1 years at 31 December 2018 and increasing its total available facilities by approximately \$220 million.

Other than one facility for \$50 million (expiring in July 2019), all debt facilities have a maturity in excess of 3 years and have been classified as non-current liabilities by the Group.

Market risk

Cash flow and fair value interest rate risk

Qube's primary interest rate risk relates to its variable rate borrowings and cash held on deposit, which expose the Group to cash flow interest rate risk. Qube's operating businesses are leveraged to the economy such that movements in interest rates, which typically reflect changes in economic conditions and outlook, are likely to correlate with movements in Qube's earnings. Therefore the primary objective of Qube's interest rate risk management strategy is to focus on hedging debt used to fund assets that do not have this operating leverage (such as warehouse rental) and have limited to no ability to increase revenues beyond the set annual increases. Qube aims to hedge between 70-100% of this type of debt subject to an overall cap on hedging of 60% of gross debt.

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

	31 Dec 2018	30 June 2018
	\$m	\$m
Borrowings (excluding finance leases and capitalised establishment costs)	1,182.8	967.1
Less: Fixed rate loans	(200.0)	(200.0)
Cash	(107.0)	(103.9)
Net exposure to cash flow interest rate risk	875.8	663.2
Interest rate hedging in place*	460	290

* Includes forward start hedges totalling \$325 million (June 2018:\$155 million)

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

The sensitivities of Qube's monetary assets and liabilities to interest rate risk is summarised below. The analysis is based on the assumption that interest rates changed +/-100 basis points (June 2018: +/-100 basis points) from the period end rates with all other variables held constant.

	Interest rate risk			
	-100 bps		+100 bps	
	Profit	Equity	Profit	Equity
31 Dec 2018	\$m	\$m	\$m	\$m
Total increase/(decrease)	5.1	5.1	(5.9)	(5.9)
30 June 2018				
Total increase/(decrease)	3.7	3.7	(4.5)	(4.5)

Foreign exchange risk

Foreign exchange risk arises from commercial transactions and recognised liabilities that are denominated in or related to a currency that is not the Group's functional currency. The Group's foreign exchange exposure relates largely to the USD denominated medium term note borrowings issued in October 2017. The Group also has exposure to movements in foreign currency exchange rates through anticipated purchases of parts and equipment in relation to the Moorebank IMEX rail terminal automation.

8 Borrowings (continued)

Foreign exchange risk (continued)

To mitigate the risk of adverse movements in foreign exchange and interest rates in relation to the USD denominated medium term notes, the Group has entered into Cross currency Interest rate swaps (CCIRS) agreements through which it replaces the related foreign currency principal and interest liability payments with Australian Dollar principal and interest payments. The CCIRS have been designated as cash flow and fair value hedges in order to reduce the volatility in the Groups reported earnings.

The Group utilised forward exchange contracts and options to manage its foreign exchange risk arising from purchases of parts and equipment in relation to the Moorebank IMEX rail terminal automation. These instruments are hedging highly probable forecast foreign currency exposures. The forward contracts are designated as cash flow hedges and are timed to mature when foreign currency payments are scheduled to be made.

As at the reporting date, the Group's exposure to foreign exchange risk after taking into consideration hedges in relation to the USD medium term notes and the forecast foreign currency transactions is not considered material.

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the half year to 31 December 2018.

Financing arrangements

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

	31 Dec 2018	30 June 2018
	\$m	\$m
Floating rate	-	-
Expiring within one year	-	-
Expiring beyond one year*	691.9	673.6
	691.9	673.6

*Undrawn facilities as at 31 December 2018 adjusted for \$36.0 million in bank guarantees (June 2018: \$32.7 million) drawn under the bilateral facilities.

Subject to the continuance of satisfactory covenant compliance, the bank and other loan facilities may be drawn down at any time and have a weighted average maturity of 5.1 years at 31 December 2018 (June 2018: 4.9 years).

9 Fair value measurement

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments and non-financial assets since the 2018 annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows:

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

The following table presents the Group's financial assets, non-financial assets and financial liabilities measured and recognised at fair value at 31 December 2018 and 30 June 2018 on a recurring basis:

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
At 31 December 2018				
Recurring fair value measurements				
Assets				
Investment Properties	-	-	796.8	796.8
Derivatives designated as hedges	-	22.9	-	22.9
Total assets	-	22.9	796.8	819.7
Liabilities				
Deferred consideration payable	-	-	1.9	1.9
Derivatives not designated as hedges	-	3.9	-	3.9
Total liabilities	-	3.9	-	5.8
At 30 June 2018				
Recurring fair value measurements				
Assets				
Investment Properties	-	-	701.6	701.6
Derivatives designated as hedges	-	1.9	-	1.9
Total assets	-	1.9	701.6	703.5
Liabilities				
Derivatives not designated as hedges	-	1.1	-	1.1
Total liabilities	-	1.1	-	1.1

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period.

(b) Valuation techniques used to determine fair values

Financial instruments

Specific valuation techniques used to value financial instruments include:

- CCIRS, interest rate swaps and collars - Present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived. Yield curves are sourced from readily available market data quoted for all major currencies.
- Forward exchange contracts and options - Quoted forward exchange rates at reporting date for contracts with similar maturity profiles.
- 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.

9 Fair value measurement (continued)

Non-financial assets

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent valuations performed by an independent valuer who holds a recognised and relevant qualification and any other relevant factors. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including independent valuations prepared by third party valuers. These valuations typically include information such as:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- Term and reversion calculations which reflect the certainty of income to lease expiry, the nature of any current property improvements and any deferred underlying land value and underlying re-development of a property;
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and
- Discounted cash flow projections based on reliable estimates of future cash flows.

In relation to properties under development for future use as investment property, where reliably measurable, fair value is determined based on the market value of the asset on the assumption it had already been completed at the valuation date (using the methodology as outlined in (c)(vi) below).

The primary valuation methodology for the Group's Minto investment property was the discounted cash flow and capitalisation approaches, which resulted in fair value estimate for this property being included in level 3. As the Moorebank Logistics Park is considered investment property in development, it is also included in level 3.

(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 2018.

There were also no changes made to any of the valuation techniques applied in prior periods.

(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. No such amounts are payable 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 post-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, assessment of the likelihood of reaching any financial hurdles 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.

Non-financial assets

(iv) 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 2018.

9 Fair value measurement (continued)

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

Non-financial assets (continued)

(v) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See below for the valuation techniques adopted:

Description	Fair value at 31 Dec 2018 \$m	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment property	796.8	Discount rate	6.8% – 8.0%	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	6.3%	
		Capitalisation rate	5.8% - 6.3%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Current vacancy rate	-	
		Rental growth rate	3.2%	The higher the rental growth rate, the higher the fair value
		Land rate (per sqm)	\$550 - \$595	The land rate is the market land value per sqm of fully serviced and benched developable site area for the property (i.e. freehold land value).

(vi) Valuation processes

For level 3 assets being independently valued the Group engages external, independent and qualified valuers to determine the fair value at least annually.

The main level 3 inputs used by the Group are derived and evaluated as follows: Property assets – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an independent valuer or management based on comparable transactions and industry data.

For level 3 assets currently under development such as the Moorebank Logistics Park, an internal valuation is performed by management using a static valuation approach based on an independent valuation leveraging relevant market comparable data including capitalisation and land rate per square metre information. This value is then adjusted for factors including the NPV of ground rental payments, cost to complete, contingencies and developer margin. Qube's interest in the Land Trust is independently valued.

10 Non-current loans and receivables

	31 Dec 2018	30 June 2018
	\$m	\$m
Loans and receivables	<u>328.8</u>	<u>328.8</u>

The Group provided a related party loan to Patrick as part of the acquisition of its 50% interest. The loan is for a fixed term of 10 years, subordinated to all creditors, with an effective interest rate of 7.3% and no conversion rights.

Loans and receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the loans and receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as revenue over the remaining term. The Group considers the impact of discounting immaterial.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The movement in the provision is recognised in the Income Statement. The Group does not believe impairment is required at 31 December 2018 based on the current forecasts provided by Patrick.

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the necessity of whether an impairment provision is required for any given financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities.

	Half year ended	
	31 Dec 2018	31 Dec 2017
	\$m	\$m
11 Dividends		
(a) Ordinary shares		
Dividends provided for or paid during the half year	76.9	44.5
(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 2.8 cents per fully paid ordinary share (December 2017 – 2.7 cents), fully franked. The aggregate amount of the proposed dividend expected to be paid on 4 April 2019 out of retained earnings at 31 December 2018, but not recognised as a liability at the end of the half year, is	44.9	43.3
Since the end of the half year the Directors have resolved to pay a special dividend of 1.0 cent per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 April 2019 out of retained earnings at 31 December 2018, but not recognised as a liability at the end of the half year, is	16.1	-

12 Contingencies

Contingent liabilities

There has been no material change in contingent liabilities as set out in Qube's 2018 Annual Report.

13 Events occurring after the reporting period

Other than as noted in this report, there have been no events that have occurred subsequent to 31 December 2018 and up to the date of this report that have had a material impact on Qube's financial performance or position.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 31 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 2018 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.



Allan Davies
Chairman

Sydney
20 February 2019



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Qube Holdings Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2018, 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 other explanatory notes and the directors' declaration for Qube Holdings Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Qube Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

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1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Brett Entwistle'.

Brett Entwistle
Partner

Sydney
20 February 2019