19 August 2010

Results for announcement to the market

For the year ended 30 June 2010

Lodged under ASX listing rule 4.3A

Qube Appendix 4E and Full Year Financial Report

Attached are the following documents relating to Qube Logistics (ASX: QUB)

- Results for announcement to the market;
- ASX and Media Announcement; and
- Financial Report for the Full Year to 30 June 2010

Further enquiries:

Media
Paul White
0417 224 920

Investors
Sam Kaplan / David Knight
+61 2 8917 0300

Qube Logistics

(formerly KFM Diversified Infrastructure & Logistics Fund)

APPENDIX 4E

Preliminary Final Report

for the year ended 30 June 2010

Results for Announcement to the Market

	30 Jun 2010 $'000	30 Jun 2009 $'000	% change*
Income from ordinary activities	37,721	(6,625)	N/A
Profit/(loss) from ordinary activities after tax attributable to members	24,324	(12,534)	N/A
Net profit/(loss) for the period attributable to members	24,324	(12,534)	N/A

* Percentage change has not been provided when previous period consisted of a net loss

Distribution Information

	Amount (cents per unit)	Record Date
Interim distribution - Unfranked	2.00	31 December 2009
Final distribution - Fully franked	1.50	27 August 2010
Payment date	30 Sep 2010	

Net Asset Backing per Unit

The net asset backing per unit is $0.9478 (2009:$0.9668).

Qube Logistics

(formerly KFM Diversified Infrastructure & Logistics Fund)

APPENDIX 4E

Preliminary Final Report

for the year ended 30 June 2010

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ASX and Media Announcement **19 August 2010**

Qube Logistics Reports Strong Financial Performance

Qube Logistics today released its full year audited results for the year to 30 June 2010 reporting a profit after tax of $24.3 million.

The full year result reflects the strong performance of its operating logistics businesses during the period, particularly in the six months to June 2010.

Key highlights of the financial result for the twelve months to June 2010 include:

- Statutory profit before tax of $29.9 million.
- Net realised and unrealised gain on investments of $23.2 million reflecting strong growth in earnings and outlook for the operating logistics business.
- Net assets of over $443 million (an increase of over 123% over 2009, largely achieved through the acquisition of Kaplan Equity Limited).
- Pro-forma net assets of over $483 million inclusive of proceeds of capital raising completed in July 2010.
- Operating businesses trading ahead of expectations and well ahead of prior comparable period.
- Well positioned for continued growth

Sam Kaplan, Managing Director of Kaplan Funds Management, the manager of Qube Logistics said “The efforts of the past twelve months have been focused on transforming Qube from an investment entity into becoming a major listed operating logistics company. While there are still several important milestones to complete this process, significant progress has been made and Qube now owns majority or significant shareholdings in a number of high quality logistics businesses,” Mr Kaplan said.

Fully Franked Distribution of 1.50 cents per unit

Qube Logistics is pleased to announce that it will pay a fully franked distribution of 1.50 cents per unit for the six month period to 30 June 2010 which reflects the upper end of guidance provided previously. This distribution reflects the strong financial performance of the operating businesses in the period to June 2010 and positive future outlook for these businesses and Qube.

Units issued pursuant to the acquisition of Kaplan Equity Limited in May 2010, the placement completed in June 2010 and the rights issue completed in July 2010 will all participate in the distribution.

The record date for the final distribution is 27 August 2010 and the distribution is expected to be payable on 30 September 2010.

Strong growth in financial performance of operating logistics businesses

The underlying operating logistics divisions have delivered results for the six months to June 2010 significantly ahead of the comparable period last year as outlined in the table below.

Six Months to June	2009 ($m)	2010 ($m)	Change (%)
Revenue			
Landside Logistics	48.7	61.1	25.5%
Automotive and General	56.8	78.0	37.3%
Total Revenue	**105.5**	**139.0**	**31.8%**
EBITDA			
Landside Logistics	5.7	6.7	16.7%
Automotive and General	9.3	15.4	63.0%
Total EBITDA	**15.0**	**22.1**	**47.0%**

The figures in the table above are based on unaudited management accounts and exclude the impact of costs relating to employee option schemes.

The figures in the table above are based on Qube's proportional share of each of the operating businesses using Qube's actual % ownership of the businesses at 30 June 2010. Qube did not hold this level of ownership for all of these 6 month periods and so this information does not reflect actual revenues or EBITDA attributable to Qube for these periods.

Revenue and EBITDA for these divisions also exceeded the projections for the comparable six month period provided to the independent expert for use in the report to unitholders for the Kaplan Equity Limited acquisition by around 13% and 12% respectively.

These results were driven by a focus on providing an integrated logistics solution covering multiple elements of the logistics supply chain. The businesses have also leveraged their strategic locations to provide value added services to customers. The results benefited from a strong recovery in container volumes and imported vehicles as well as continued strength in bulk volumes. The earnings also reflect the benefits of initiatives put in place in the previous year to reduce costs and improve operating efficiencies.

The operating businesses, and particularly the Landside Logistics division, are subject to seasonality and therefore the second half of the calendar year typically contributes a greater proportion of revenue and earnings.

Debt Levels

The operating businesses within the Landside Logistics and Automotive and General Stevedoring divisions have conservative gearing levels that place them in a strong position to fund growth internally.

Provided below is Qube’s proportional share of the net cash/external debt of the businesses within these divisions as at 30 June 2010. Net cash/external debt is calculated as the cash of the relevant business as at 30 June 2010 less external debt as at that date. Debt excludes shareholder loans provided to the operating businesses as the loans provided by Qube have been included in calculating the equity value of Qube’s shareholding.

All figures as at 30 June 2010	Equity Value of Qube's Shareholding ($m)	Qube's Proportionate Share of Net Cash / (Debt) ($m)	Implied Enterprise Value of Qube's Share of Operating Businesses ($m)
Landside Logistics	123.3	0.1	123.2
Automotive and General	240.6	(3.2)	243.8
Total Operating Logistics Businesses	**363.9**	**(3.1)**	**367.0**

It is expected that the debt within both divisions is likely to increase in the period to December 2010 as the businesses use debt for acquisition and development opportunities. However, the overall gearing within the operating businesses is expected to remain conservative. In the absence of material acquisitions, these businesses are not expected to require additional equity funding from Qube in the near term.

Non-Operating Logistics Businesses
Qube has approximately $100 million (inclusive of debt funding) invested in logistics related development projects including strategic properties located at Moorebank and Minto. These properties are currently leased to third parties in order to generate a modest financial return to Qube while the longer term strategic planning and approval process is undertaken to develop these investments into future operating logistics businesses.

Cash and Listed Securities
Qube is in a strong financial position to pursue further acquisitions, with cash and listed securities of over $65 million and net assets of over $480 million (inclusive of the proceeds from the rights issue that closed in July 2010). Qube has approximately $48 million in debt relating to Moorebank and is in the process of refinancing this debt. This process is expected to be completed well prior to the expiry of the facility in December 2010.

Summary of Net Asset Position of Qube

	Net Asset Value as at 30 June 2010 ($m)	% of Total Net Asset Value*
Operating Logistics Businesses		
Landside Logistics	123.3	25.5%
Automotive and General Stevedoring	240.6	49.8%
Total Operating Logistics Businesses	**363.9**	**75.3%**
Non-Operating Logistics Businesses**	**49.7**	**10.3%**
Cash and Listed Securities and Other Net Assets	**33.8**	**7.0%**
Total***	**447.4**	**92.6%**
Net Proceeds From Capital Raising Completed in July 2010	35.8	7.4%
Pro-forma Total including Capital Raising	**483.2**	**100.0%**

*Percentages calculated on net asset value inclusive of proceeds from July 2010 capital raising

**Represents equity value of Moorebank investment and Minto Investment net of debt associated with these investments
*** Excludes goodwill and deferred tax liabilities

Outlook
The operating businesses are all well positioned to continue to grow revenue and earnings. The focus over the next 6-12 months will be to continue to progress the internalisation of the management of Qube and to simplify the corporate structure of Qube and to the extent possible, increase Qube's ownership of the underlying operating businesses.

Chris Corrigan, Chairman of Qube's Investment Advisory Committee, said "The operating businesses have delivered very pleasing results and have the quality management teams, strategic assets and opportunities to continue to achieve strong growth in the future. We expect, subject to no material adverse change in economic conditions, that the operating businesses will continue to increase revenue and earnings from the levels achieved in the period to June 2010," he said.

Distribution Reinvestment Plan

The distribution reinvestment plan (DRP) will operate in respect of the final distribution. Securities issued for the final distribution will be issued at a discount of 2.5% to the average of the daily volume weighted average price for all of Qube's units sold on the ASX over the 10 trading days immediately following the record date for payment of the distribution.

The units issued under the DRP are expected to be issued on or about 30 September 2010. A copy of the terms and conditions of the DRP can be obtained from Qube's website at www.qubelogistics.com.au.

Notices in relation to participation in the DRP must be lodged with Qube's registry, Computershare Investor Services Pty Limited ("Computershare"), by 5.00pm (Sydney time) on 27 August 2010. Unitholders should contact Computershare on 1300 850 505 for further information about the DRP and to obtain DRP election forms. If unitholders have previously notified the Registry regarding their election to participate in the DRP and do not wish to change their existing instructions, no further notice is required.

This announcement has been prepared and released on behalf of Qube by Kaplan Funds Management, the manager of Qube.

Further enquiries:

Media
Paul White 0417 224 920

Investors
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Control Gained Over Entities in the Financial Year

Name of Entity Where Control Was Gained	Date Control Gained
Kaplan Equity Limited	17 May 2010

The above entity did not contribute materially to the consolidated entity's profit from ordinary activities since the date of control.

Distribution Reinvestment Plan

The Trust Company (RE Services) Limited (formerly Permanent Investment Management Limited), the Responsible Entity of Qube, and Kaplan Funds Management Pty Ltd ("KFM") as manager of Qube operate a distribution reinvestment plan ("DRP") that enables unitholders to elect to reinvest all, or a portion of, their distributions into additional units in Qube. The DRP is available for the distribution payable on 30 September 2010. Securities issued for the final distribution will be issued at a discount of 2.5% to the average of the daily volume weighted average price for all of Qube's units sold on the ASX over the 10 trading days immediately following the record date for payment of distribution. Lodgement of the election notice for participation in the DRP is due on 27 August 2010.

Additional Information

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

This Appendix 4E report is based on the 30 June 2010 Financial Report audited financial statements.

Qube Logistics (formerly KFM Diversified Infrastructure & Logistics Fund)

ARSN 122 556 441

Financial Report for the year ended 30 June 2010

Qube Logistics ARSN 122 556 441
Financial Report - 30 June 2010

Contents

Directors' report

The directors of The Trust Company (RE Services) Limited ("The Trust Company"), the Responsible Entity of Qube Logistics ("Qube"), present their report together with the financial statements of the consolidated entity consisting of Qube Logistics and the entities it controlled at the end of, or during the year ended 30 June 2010.

The manager of Qube is Kaplan Funds Management Pty Limited ("the Manager").

Directors

The following persons were directors of the Responsible Entity during the year ended 30 June 2010 or up to the date of this report:

John Atkin
Michael Britton
Vicki Allen
David Grbin
Sally Ascroft (alternate Director for David Grbin) – 24 June 2010 to 1 August 2010

John Atkin is also the Chief Executive Officer of The Trust Company Limited (the parent entity of the Responsible Entity) and holds an external directorship of QR Limited.

Principal activities

The principal activities of Qube have been an investment in a portfolio of listed and unlisted infrastructure, utilities and logistics investments in Australia and Singapore. On 17 May 2010 Qube acquired all of the issued capital of Kaplan Equity Limited ("KEL"), in exchange for the issue of 190,661,216 new units in Qube. The acquisition presented Qube with the unique opportunity to effectively double its interests in a number of unlisted strategic logistics investments. This was an important part in the progression of Qube from a passive investment entity acquiring minority stakes, to a more focussed logistics entity taking a more active role in the strategy and operations of these businesses.

Review of operations

Qube invested in accordance with target asset allocations in the governing documents of Qube and in accordance with the provisions of Qube's Constitution.

The consolidated profit after tax attributable to unitholders of Qube under Australian Accounting Standards was $24.324 million (Jun 2009 loss: $12.534 million).

Distributions

Distributions paid or provided for during the financial year were as follows:

	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Final distribution for the year ended 30 June 2010 refer '*' below (2009 - 2 cents) per unit	* -	4,084
Interim distribution for the year ended 30 June 2010 of 2 cents per unit paid on 26 February 2010 (2009 - 2 cents)	**4,809**	4,057

*Subsequent to year end a fully franked distribution of 1.5 cents per unit was declared totalling $7.7million, payable in September 2010.

Significant changes in the state of affairs
In December 2009, Qube completed a one for six pro rata rights issue which raised approximately $24 million.

On 17 May 2010, Qube acquired 100% of the shares in KEL, consideration being the issue of 190,661,216 units in Qube to KEL shareholders. The acquisition will provide Qube with the financial strength to pursue additional aquisitions as well as support organic growth within the existing logistics businesses.

On 28 May 2010 Qube completed an institutional placement of units raising approximately $28 million and announced a one for ten non-renounceable rights issue.

Following the acquisition of KEL, on 1 June 2010 KFM Diversified Infrastructure and Logistics Fund was granted the necessary approvals and changed its name to Qube Logistics. The change in name is an important step in the continued progression of Qube from a passive investment entity owning minority interests into a larger, focused logistics entity taking a more active involvement in the Board and strategic direction of the underlying businesses.

On 22 June 2010, the Responsible Entity for Qube changed its name from Permanent Investment Management Limited to the The Trust Company (RE Services) Limited.

Matters subsequent to the end of the financial period
The non-renounceable rights issue noted above closed in July 2010 raising approximately $36.5 million before costs.

Qube Logistics and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2010. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised.

Other than disclosed above, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of Qube, the result of those operations or the state of affairs of Qube in years subsequent to the year ended 30 June 2010.

Likely developments and expected results of operations
Qube will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of Qube and in accordance with the provisions of the Constitution.

Qube will continue to pursue new investments to support growth within its existing logistics businesses and in new logistics businesses that meet its investment criteria. The focus of Qube will be on businesses involved in the logistics supply chain for import and export of goods and commodities into and out of Australia that have a strong market position and/or sustainable competitive advantage. Qube will continue to adopt a long term horizon when investing in and managing these logistics businesses.

The primary focus is expected to be businesses operating within Australia as this will enable Qube to gain maximum utilisation from its existing strategic businesses and experienced management.

Qube will take a much more active role in working with the management of the existing logistics businesses to support their strategic planning and growth.

The results of Qube's operations will be affected by a number of factors, including the performance of investment markets in which Qube invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of Qube and the expected results of those operations have not been included in this statement because the directors believe it would be likely to result in unreasonable prejudice to Qube.

Indemnifying officers or auditors
No insurance premiums are paid for out of the assets of Qube in regards to insurance cover provided to either the Responsible Entity or the auditors of Qube. So long as the officers of the Compliance Committee of the Responsible Entity act in accordance with the Constitution and the Corporations Act, the officers remain indemnified out of the assets of Qube against losses incurred while acting on behalf of Qube. The auditors of Qube are in no way indemnified out of the assets of Qube.

Option on units granted to directors and the most highly remunerated officers
No options over units in Qube were granted during the year and there were no options outstanding at the date of this report.

Fees paid to and interests held in Qube by the Responsible Entity or its associates
Fees paid to the Responsible Entity and the Manager out of Qube during the year are disclosed in note 25 of the financial statements.

No fees were paid out of Qube to the directors of the Responsible Entity during the year.

The number of interests in Qube held by the Responsible Entity or its associates during the year was nil.

Interests in Qube
The movement in units on issue in Qube during the year is disclosed in note 18(b) of the financial statements.

The values of Qube's assets and liabilities are disclosed on the balance sheet.

Environmental regulation
The operations of Qube are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

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

Auditor'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 4.

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

Michael Britton
Director

Sydney
18 August 2010

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Auditor's Independence Declaration

As lead auditor for the audit of Qube Logistics (formerly KFM Diversified Infrastructure & Logistics Fund) for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Stephanie Smith
Partner
PricewaterhouseCoopers

Sydney
18 August 2010

Liability limited by a scheme approved under Professional Standards Legislation

	Notes	Consolidated Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Income			
Interest income	3	**2,433**	2,475
Dividend & distribution income	3	**12,064**	10,966
Other income	3	**30**	4
Net gain/(loss) on financial instruments held at fair value through profit or loss	4	**23,194**	(20,070)
Total income		**37,721**	(6,625)
Expenses			
Investment manager's fees		**3,794**	2,895
Responsible Entity's fees		**121**	101
Custody fees		**106**	98
Remuneration of auditors	20	**162**	105
Performance fees		**-**	21
Finance costs		**1,994**	1,846
Amortisation		**222**	223
Independent valuation fees		**3**	102
Unit registry fees		**229**	91
Investment advisory committee fees		**134**	90
Acquisition costs relating to KEL	26	**583**	-
Marketing & promotion costs		**157**	-
Stock exchange fees		**93**	44
Other operating expenses	5	**210**	254
Total expenses		**7,808**	5,870
Operating profit/(loss) before income tax		**29,913**	(12,495)
Income tax expense	9	**5,589**	39
Operating profit/(loss) for the year after income tax expense		**24,324**	(12,534)
Other comprehensive income, net of tax		**-**	-
Total comprehensive income/(loss) for the year		**24,324**	(12,534)
		Cents	Cents
Earnings per unit for profit from continuing operations attributable to the ordinary equity holders of the Entity:			
Basic earnings per unit	29	**9.71**	(6.16)
Diluted earnings per unit	29	**9.71**	(6.16)

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

	Notes	Consolidated As at 30 June 2010 $'000	30 June 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**23,166**	44,966
Trade and other receivables	7	**1,250**	747
Financial assets at fair value through profit or loss	8	**10,305**	9,002
Total current assets		**34,721**	54,715
Non-current assets			
Financial assets at fair value through profit or loss	10	**454,774**	167,685
Intangible assets	12	**9,052**	3,786
Total non-current assets		**463,826**	171,471
Total assets		**498,547**	226,186
LIABILITIES			
Current liabilities			
Trade and other payables	13	**941**	454
Distributions payable	15	**-**	4,084
Financial liabilities at fair value through profit or loss	14	**21**	57
Borrowings	16	**48,278**	-
Total current liabilities		**49,240**	4,595
Non-current liabilities			
Deferred tax liabilities	17	**5,336**	39
Borrowings	16	**-**	24,125
Total non-current liabilities		**5,336**	24,164
Total liabilities		**54,576**	28,759
Net assets		**443,971**	197,427
EQUITY			
Contributed equity	18	**427,165**	200,136
Retained earnings	19	**16,806**	(2,709)
Total equity		**443,971**	197,427

	Notes	2010	2009
Net asset backing per unit	29	**$0.9478**	$0.9668

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

	Notes	**Consolidated** **Year ended 30 June 2010 $'000**	Year ended 30 June 2009 $'000
Total equity at the beginning of the financial year		**197,427**	217,215
Total comprehensive income/(loss) for the year		**24,324**	(12,534)
Total comprehensive income/(loss) for the year		**24,324**	(12,534)
Transactions with unitholders in their capacity as unitholders:			
Contributions of equity, net of issue costs	18	**227,029**	2,330
On-market buybacks	18	**-**	(1,443)
Distributions paid and payable to unitholders	15	**(4,809)**	(8,141)
		222,220	(7,254)
Total equity at the end of the financial year		**443,971**	197,427

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

	Notes	Consolidated Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Cash flows from operating activities			
Purchase of financial instruments at fair value through profit or loss		**(97,545)**	(11,254)
Proceeds from disposal of financial instruments at fair value through profit or loss		**24,932**	32,912
Dividends and distributions received		**8,021**	9,631
Interest received		**2,372**	2,470
Other income received		**94**	(44)
Investment manager's fees paid		**(3,427)**	(2,900)
Responsible Entity's fees paid		**(119)**	(99)
Custody fees paid		**(95)**	(98)
Audit fees paid		**(107)**	(101)
Performance fees paid		**-**	(865)
Finance costs paid		**(2,279)**	(1,846)
Independent valuation fees paid		**(105)**	-
Unit registry fees paid		**(239)**	(95)
Investment advisory committee fees paid		**(134)**	(90)
Other expenses paid		**(393)**	(446)
GST (received) / paid		**(33)**	1
Income taxes paid / (refunded)		**-**	2
Net cash (outflow)/inflow from operating activities	28	**(69,057)**	27,178
Cash flows from investing activities			
Cash inflow from acquisition	26	**3,479**	-
Acquisition costs		**(583)**	-
Net cash inflow/(outflow) from investing activities		**2,896**	-
Cash flows from financing activities			
Proceeds of non-renounceable rights issue		**24,045**	-
Proceeds of placement		**28,080**	-
Repayment of borrowings		**-**	(39)
Payments for shares bought back		**-**	(1,443)
Placement fees paid		**(953)**	-
Distributions paid to unitholders		**(6,811)**	(6,792)
Net cash inflow/(outflow) from financing activities		**44,361**	(8,274)
Net increase/(decrease) in cash and cash equivalents		**(21,800)**	18,904
Cash and cash equivalents at the beginning of the year		**44,966**	26,062
Cash and cash equivalents at end of year	6	**23,166**	44,966
Non-cash financing activities	26	**173,502**	-

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

1 General information

This financial report covers the consolidated entity consisting of Qube Logistics ("Qube") and its controlled entities, for the year ended 30 June 2010 and is presented in Australian currency. Qube Logistics was formerly known as KFM Diversified Infrastructure & Logistics Fund.

Since the acquisition by Qube of Kaplan Equity Limited ("KEL") on 17 May 2010, Qube is now considered a public trading trust for income tax purposes and is domiciled in Australia. The Responsible Entity is The Trust Company (RE Services) Limited (formerly known as Permanent Investment Management Limited). The Responsible Entity's registered office is Level 4, 35 Clarence Street, Sydney, NSW 2000.

The financial report was authorised for issue by the directors on 18 August 2010.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Qube Logistics and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 in Australia.

Compliance with International Financial Reporting Standards (IFRS)
Compliance with Australian Accounting Standards ensures that the financial report of Qube, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Qube's accounting policies.

The key estimates in Qube's financial statements relate to the valuations of its unlisted investments as disclosed in note 10.

Financial statement presentation
The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but has not affected any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group has applied the revised standard from 1 July 2009.

Net current liabilities
As at 30 June 2010, the consolidated entity has net current liabilities of $14,519,000 (2009: net current assets $50,120,000).

Qube closed a rights issue on 6 July 2010 that raised approximately $36.5 million before costs resulting in an excess of current assets over current liabilities of $21,981,000.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Qube as at 30 June 2010 and their results for the year then ended. Qube Logistics and its controlled entities together are referred to in this financial report as the Group or the consolidated entity.

Controlled entities are all entities over which Qube has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Qube controls another entity.

Controlled entities are fully consolidated from the date on which control is transferred to Qube. They are de-consolidated from the date that control ceases.

2 Summary of significant accounting policies (continued)

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

Investments in controlled entities are designated at fair value in the individual financial statements of Qube.

AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to Qube's previous accounting policy where transactions with minority interests were treated as transactions with parties external to Qube.

The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with Qube's previous accounting policy if significant influence is not retained.

Qube will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2010 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over fair value of the group's share of the net identifiable assets acquired is recorded as goodwill.

Change in accounting policy

A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the consolidated statement of comprehensive income. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

If Qube recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase Qube's net profit after tax.

2 Summary of significant accounting policies (continued)

(d) Investments and other financial assets

Classification

Qube's investments are categorised as at fair value through profit or loss, which is comprised of:

- Financial instruments held for trading

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

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

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

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with Qube's documented investment strategy. Qube's policy is for the Responsible Entity, with advice from the fund manager, to evaluate information about these financial assets on a fair value basis together with other related financial information.

Measurement

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

Recognition and de-recognition

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

Investments have been brought to account by Qube as follows:

- ***Interests in listed securities in companies and trusts***

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

- ***Interests in unlisted securities in companies and trusts***

Interests in unlisted companies are brought to account at fair value, determined using valuation techniques adopted by Qube's Responsible Entity in consultation with Qube's Manager. The fair value of the unlisted investments will be based on an independent valuation to be undertaken at least annually. Where for a particular six monthly reporting period, the most recent annual independent valuation is determined not to reflect the current fair value of the investments, the fair value will be determined based on a comparison of Qube's relevant unlisted investment with the valuation implicit in recent arm's length market transactions that are comparable to Qube's investment. In the absence of any recent comparable arm's length market transactions, the discounted cash flow valuation analysis will be utilised.

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

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

2 Summary of significant accounting policies (continued)

- ***Derivatives that are not designated as hedges or do not qualify for hedge accounting***

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

(e) Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the entity's main income generating activity.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Qube's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Operating rights

Operating rights are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the operating rights over its life, which is 20 years from 2008.

(g) Impairment of assets

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

(h) Revenue recognition

(i) Interest income

Interest income is recognised in profit or loss for all debt instruments using the effective interest method. Interest income on assets held at fair value through profit or loss is included in profit or loss. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

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

2 Summary of significant accounting policies (continued)

(ii) Dividends

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

Trust distributions are recognised on a present entitlements basis.

(i) Expenses

All expenses, including Responsible Entity fees and custodian fees, are recognised in profit or loss on an accruals basis.

(j) Income tax

Up until the acquisition of KEL in May 2010, Qube was not subject to income tax provided the taxable income of Qube was fully distributed either by way of cash or reinvestment (i.e unitholders were presently entitled to the income of Qube). Realised capital losses were not distributed to unitholders but were retained in Qube to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess was distributed to unitholders.

Financial instruments held at fair value may have included unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax would be distributed so that Qube was not subject to capital gains tax.

The benefits of franking credits and foreign tax paid were passed on to unitholders.

As a result of the acquisition of KEL, Qube is now deemed to be a "public trading trust" as defined in the *Income Tax Assessment Act (1936)* for the entire income year ended 30 June 2010. This means that Qube is effectively treated as a taxable entity for the full 2010 financial year. As a consequence, the distributions paid by Qube in respect of the half-year ended 31 December 2009 will be treated as an unfranked dividend for income tax purposes.

Qube has not implemented the tax consolidation legislation for the 2010 financial year and therefore its controlled entities will be liable for tax as stand-alone entities. Any tax noted in the financial report relates to the consolidated entity only and not to the parent.

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

Deferred income tax is determined using the Balance Sheet method, being the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(k) Distributions

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

For the year ended 30 June 2009 Qube's policy was to distribute its distributable income. Provision was made for the amount payable on or before the end of the financial year but not distributed at balance date.

(l) Contributed equity

Qube is a public trading trust for tax purposes with an indefinite life and is not subject to redemption requests at the discretion of the unitholder. Consequently units issued by Qube have been classified as equity. Transaction costs of capital raising are treated as a reduction on the equity balance.

2 Summary of significant accounting policies (continued)

(m) Foreign currency translation

(i) Functional and presentation currency

Items included in Qube's financial statements are measured using the currency of the primary economic environment in which it operates ('the functional currency'). This is the Australian dollar, which reflects the currency of the economy in which Qube competes for the funds and is regulated. The Australian dollar is also Qube's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Qube does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with net gains or losses on financial instruments at fair value through profit or loss.

(n) Due to/from brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that Qube will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(o) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(h) above. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that Qube will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

2 Summary of significant accounting policies (continued)

(p) Payables

Payables include liabilities and accrued expenses owing to Qube which are unpaid as at the end of the reporting period.

For the year ended 30 June 2009, the distribution amount payable to unitholders as at the reporting date was recognised separately on the balance sheet as unitholders were presently entitled to the distributable income as at 30 June 2009 under the Constitution. Unitholders are no longer presently entitled to the distributable income as at 30 June 2010.

(q) Borrowings

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

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

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

(r) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to Qube by third parties such as audit fees, custodial services and investment management fees have been passed onto Qube. Qube qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the income statement net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(s) Fair value estimation

Qube makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Qube may from time to time hold financial instruments that are not quoted in active markets, such as over-the-counter (OTC) derivatives. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable. An independent valuation was issued on 29 March 2010 and a Directors' valuation adopted as fair value at 30 June 2010.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(t) Earnings per unit

(i) Basic earnings per unit

Basic earnings per unit is calculated by dividing the profit attributable to unitholders of Qube, excluding any costs of servicing equity other than ordinary units, by the weighted average number of ordinary units outstanding during the financial year.

(ii) Diluted earnings per unit

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

2 Summary of significant accounting policies (continued)

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods and have not yet been applied in the financial report. Qube's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139] (effective from 1 July 2010)*

In May 2009 the AASB issued a number of improvements to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* AASB 8 *Operating Segments,* AASB 101 *Presentation of Financial Statements,* AASB 107 *Statement of Cash Flows,* AASB 117 *Leases,* AASB 118 *Revenue,* AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement.* Qube will apply the revised Standards from 1 July 2010. Qube does not expect that any adjustments will be necessary as a result of applying the revised rules.

(ii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)*

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. Qube has not yet decided when to adopt AASB 9. However, management does not expect this will have a significant impact on Qube's financial statements as Qube does not hold any available-for-sale investments.

(v) Segment reporting

Qube has applied AASB 8 *Operating segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented

Operating segments are now reported in a manner that is more consistent with the internal reporting provided to the Manager and the Investment Advisory Committee ("IAC"). The members of the IAC have been appointed by the Manager.

(w) Parent entity financial information

The financial information for the parent entity, Qube Logistics, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investment in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at fair value in the financial statements of Qube.

(x) Rounding of amounts

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

3 Revenue

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Interest	**2,433**	2,475
Dividends	**8,825**	7,119
Distributions	**3,239**	3,659
Other Income	**30**	4
Foreign Income	**-**	188
	14,527	13,445

4 Net gain/(loss) on financial instruments held at fair value through profit or loss

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Net gain/(loss) on financial instruments held for trading	**814**	(68)
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	**22,380**	(20,002)
Net gain/(loss) on financial instruments held at fair value through profit or loss	**23,194**	(20,070)

5 Other operating expenses

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Advisor fees	**78**	16
Bank charges	**1**	9
Legal fees	**75**	80
Printing, postage & stationery	**21**	22
Administration fees	**10**	-
Other expenses	**25**	127
	210	254

6 Current assets - Cash and cash equivalents

	Consolidated As at 30 June 2010 $'000	Consolidated As at 30 June 2009 $'000
Cash at bank	**9,092**	6,934
Deposits at call	**-**	63
Short term money market	**14,074**	37,969
	23,166	44,966

7 Current assets - Trade and other receivables

	Consolidated As at 30 June 2010 $'000	Consolidated As at 30 June 2009 $'000
Due from brokers - receivable for securities sold	**475**	81
Interest receivable	**76**	15
Dividends & trust distributions receivable	**573**	554
GST receivable	**126**	41
Sundry debtors	**-**	56
	1,250	747

8 Current assets - Financial assets at fair value through profit or loss

	Consolidated As at 30 June 2010 $'000	Consolidated As at 30 June 2009 $'000
Designated at fair value through profit or loss upon initial recognition		
Listed infrastructure, utilities & other securities	**10,305**	-
Fixed interest securities	**-**	9,002
	10,305	9,002

9 Income tax expense

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
(a) Income tax expense		
Current tax	**(1,805)**	39
Deferred tax	**7,433**	-
Adjustment for current tax of prior periods	**(39)**	-
	5,589	39
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Decrease) increase in deferred tax liabilities	**7,433**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before tax	**29,913**	(12,495)
Tax at the Australian tax rate of 30% (2009 - 30%)	**8,974**	(3,749)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Rebatable dividends	**(2,648)**	-
Deferred tax asset not previously recognised	**(8,345)**	-
Deferred tax liability not previously recognised	**7,647**	-
	5,628	(3,749)
Adjustments for current tax of prior periods	**(39)**	-
Tax effect of permanent difference	**-**	3,788
Income tax expense	**5,589**	39

10 Non-current assets - Financial assets at fair value through profit or loss

	Consolidated As at 30 June 2010 $'000	Consolidated As at 30 June 2009 $'000
Designated at fair value through profit or loss upon initial recognition		
Listed infrastructure, utilities & other securities	-	13,122
Unlisted logistics investments	454,774	154,563
	454,774	167,685

Summary of movement in unlisted logistics investments	**30 June 2010 $'000**
Opening unlisted logistics investments	**154,563**
Acquisition of KEL	**186,336**
Additional capital investments	**93,824**
Movement in fair value	**20,051**
Closing balance	**454,774**

Notes to the valuation table on page 21

- During the period, K-POAGS acquired a further 25% of POAGS that it did not own. Qube owns approximately 54.2% of K-POAGS and provided its proportionate share of the equity funding to enable K-POAGS to complete the acquisition.
- During the period, Qube participated in the acquisition by a consortium of a 50% shareholding in Prixcar Services Pty Limited ("Prixcar"). Qube has a beneficial interest in Prixcar of around 19.4%.
- Qube directly invested approximately $72.6 million in the Automotive and General Stevedoring and Landside Logistics divisions for the year ended 30 June 2010 to fund the new investments outlined above as well as to support growth within the other logistics businesses. Additionally Qube invested $153.1 million indirectly through its acquisition of KEL.
- During the period Qube provided additional funding of $20 million to KIL Property Investments Pty Ltd to enable it to acquire a 50% interest in Minto Properties Pty Ltd. Qube owns 100% of KIL Property Investments Pty Ltd.

10 Non-current assets - Financial assets at fair value through profit or loss (continued)

Underlying investments / unlisted logistics investments	Date	Directors' Valuation Valuation $'000	Fair Value 30 June 2010 $'000	 30 June 2009 $'000	Holding of Underlying Investment* %
Automotive & General Stevedoring					
POAGS Pty Ltd / Investment in K-POAGS Pty Ltd (formerly KFM Logistics Investments 1 Pty Ltd)	30/06/10	111,511	**111,511**	36,511	54.2
Northern Stevedoring Services Pty Ltd / Investment in K-NSS Pty Ltd (formerly KFM Logistics Investments 3 Pty Ltd)	30/06/10	31,294	**31,294**	11,590	38.3
Australian Amalgamated Terminals Pty Ltd / Investment in K-AATerminals Pty Ltd (formerly KFM Logistics Investments 6 Pty Ltd)	30/06/10	90,366	**90,366**	16,249	38.6
Prixcar Services Pty Ltd / Investment in KW Auto Logistics Pty Ltd	30/06/10	7,464	**7,464**	-	19.4
Total Automotive & General Stevedoring			**240,635**	64,350	
Landside Logistics					
POTA Holdings Pty Ltd / Investment in K-POTA Pty Ltd (formerly KFM Logistics Investments 5 Pty Ltd)	30/06/10	123,328	**123,328**	52,505	47.2
Total Landside Logistics			**123,328**	52,505	
Other Logistics Investments					
Moorebank Industrial Property Trust / Minto Properties Pty Ltd / Investment in KIL Property Investments Pty Ltd	30/06/10	55,076	**55,076**	37,649	15 / 50
Moorebank Industrial Property Trust / Investment in KFM Property Logistics 1 Pty Ltd	30/06/10	35,625	**35,625**	-	15
Investment in KFM Asian Logistics Investments 1 Pty Ltd	30/06/10	109	**109**	57	
KFM Terminals Pty Ltd	30/06/10	1	**1**	23	
Total Other Logistics Investments			**90,811**	37,708	
Total Unlisted Logistics Investments			**454,774**	154,563	

* Qube does not have control of these investments in accordance with the definition of control in the accounting standards. These investments are accounted for as joint ventures and measured at fair value through profit or loss in accordance with the requirements of AASB 131 Interests in Joint Ventures.

10 Non-current assets - Financial assets at fair value through profit or loss (continued)

An independent expert's report for Qube was issued by Deloitte Touche Tohmatsu as at 29 March 2010 in relation to the acquisition of KEL. This report included independent valuations of Qube's unlisted investments. As at 30 June 2010, KFM as manager of Qube has undertaken Directors' valuations. The Responsible Entity has adopted the Directors' valuation as fair value of the investments at 30 June 2010.

The fair value of Qube's investment in the Moorebank Industrial Property Trust reflects an independent valuation of the land owned by MIPT undertaken as at 30 June 2010 by an independent property valuer. The land is the only material asset of MIPT.

The fair value of Qube's investment in Minto Properties Pty Ltd reflects the purchase price, as the arms length transaction was completed in June 2010.

KFM Asian Logistics Investments 1 Pty Ltd and KFM Terminals Pty Ltd have no assets other than cash holdings at year end.

Changes in fair values of financial assets at fair value through profit or loss are recorded in income or expenses in profit or loss.

The table below outlines the estimated sensitivity of the valuations of the unlisted investments to changes in key assumptions that have been used to value the underlying cashflows of each of the businesses.

	Change in Company Discount Rate		**Change in EBITDA Margin**		**Base Case Discount Rate (Post Tax)**	
Change in underlying assumptions	+1%	-1%	+10%	-10%		
Unlisted Logistics Investments	**Estimated Change in Fair Value of Investments $'000**				**30 June 2010**	30 June 2009
POTA Holdings Pty Ltd / Investment in K-POTA Pty Ltd	(9,973)	12,234	12,828	(12,828)	13.50%	12.25%
POAGS Pty Ltd / Investment in K-POAGS Pty Ltd	(11,752)	15,171	12,231	(12,231)	11.80%	12.25%
Northern Stevedoring Services / Investment in K-NSS Pty Ltd	(3,168)	3,980	3,840	(3,840)	12.70%	12.75%
Australian Amalgamated Terminals Pty Ltd / Investment in K-AATerminals Pty Ltd	(8,469)	10,505	8,288	(8,288)	12.20%	12.75%
Prixcar Services Pty Ltd / Investment in KW Auto Logistics Pty Ltd	(587)	713	873	(873)	13.10%	N/A

Key assumptions used in the determination of the valuation of the land owned by the Moorebank Industrial Property Trust are as follows:

	30 June 2010	30 June 2009
Capitalisation rate	**7.00%**	7.50%
Discount rate	**9.00%**	8.75%

11 Non-current assets - Deferred tax assets

	Consolidated As at 30 June 2010 $'000	30 June 2009 $'000
Movements:		
Opening balance at 1 July	-	1
Credited/(charged) to the income statement (note 9)	-	(1)
Closing balance at 30 June	-	-

12 Non-current assets - Intangible assets

Consolidated As at 30 June 2010	**Goodwill $'000**	**Operating rights $'000**	**Total $'000**
Opening net book amount	**-**	**3,786**	**3,786**
Impact of acquisition of KEL	**1,889**	**3,599**	**5,488**
Amortisation charge	**-**	**(222)**	**(222)**
Closing net book amount	**1,889**	**7,163**	**9,052**

Consolidated As at 30 June 2009	**Goodwill $'000**	**Operating Rights $'000**	**Total $'000**
Opening net book amount	-	4,010	4,010
Amortisation charge	-	(224)	(224)
Closing net book amount	-	3,786	3,786

The goodwill was acquired in May 2010 as part of a business combination. The goodwill is attributable to synergies of the combined entities. There is no impairment of goodwill at 30 June 2010.

The allocation of goodwill to cash generating units (CGUs) has not been completed as at the year end, and this will be completed by the end of the next annual reporting period.

13 Current liabilities - Trade and other payables

	Consolidated As at 30 June 2010 $'000	Consolidated As at 30 June 2009 $'000
Custody fees payable	**32**	21
Audit fees payable	**136**	60
Investment manager's fees payable	**601**	235
Responsible Entity's fees payable	**12**	9
Independent valuation fees payable	**-**	102
Other payables	**160**	27
	941	454

14 Current liabilities - Financial liabilities at fair value through profit or loss

	Consolidated As at 30 June 2010 $'000	Consolidated As at 30 June 2009 $'000
Held for trading		
Exchange traded options	**21**	57
Total held for trading	**21**	57

15 Distributions

	Parent entity Year ended 30 June 2010 $'000	Parent entity Year ended 30 June 2009 $'000
Final distribution for the year ended 30 June 2010 refer '*' below (2009 - 2 cents) per unit (2009 - 31 August 2009)	*	
Distribution payable (CPU)	-	4,084
	-	4,084
Interim distribution for the year ended 30 June 2010 of 2 cents (2009 - 2 cents) per fully paid unit paid 26 February 2010 (2009 - 27 February 2009)		
Unfranked interim distribution	**4,809**	4,057
Total distribution provided for or paid	**4,809**	8,141

*Subsequent to year end a fully franked distribution of 1.5 cents per unit was declared totalling $7.7million, payable in September 2010.

15 Distributions (continued)

(a) Franked distributions

The franked portions of the final distribution recommended after 30 June 2010 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2011.

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)	**3,782**	-

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

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

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

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

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as distributions.

The impact on the franking account of the distribution recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of approximately $3.3 million (2009 - Nil).

16 Borrowings

Qube, through its subsidiaries KIL Property Investments Pty Limited and KFM Property Logistics 1 Pty Limited (KPL) has a 3 year bullet non revolving cash advance facility, expiring on 20 December 2010, to partly finance its investment in the Moorebank Industrial Property Trust. The outstanding balance of this facility inclusive of KEL's debt is $48,278,070 (pre-acquisition of KEL 30 June 2009: $24,125,221).

Qube has guaranteed the obligations of KPI and KPL. This guarantee is secured over the shares owned by Qube in KPI and the shares owned by KEL in KPL. Qube has given no other security for its obligations under the guarantee. KPI has also given a mortgage over its units in Moorebank Industrial Property Trust and a fixed and floating charge over its assets.

Discussions have commenced with the existing financier to refinance this facility. This is expected to be completed well prior to the expiry of the current facility.

17 Non-current liabilities - Deferred tax liabilities

	Consolidated As at 30 June 2010 $'000	Consolidated As at 30 June 2009 $'000
The balance comprises temporary differences attributable to:		
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	**14,423**	-
Set off of deferred tax liabilities pursuant to set off provisions:		
Carried forward capital losses	**(6,807)**	-
Current year realised capital losses	**(1,542)**	-
Tax on placement fees	**(291)**	-
Current year tax losses	**(447)**	-
Other	**-**	39
	5,336	39
Movements:		
Opening balance at 1 July	**39**	-
Charged/(credited) to equity - placement fees	**(292)**	-
Charged/(credited) to the income statement	**5,589**	39
Closing balance at 30 June	**5,336**	39

18 Contributed equity

	Consolidated As at 30 June 2010 Units	Consolidated As at 30 June 2009 Units	Consolidated As at 30 June 2010 $'000	Consolidated As at 30 June 2009 $'000
(a) Units issued & proceeds raised during the year				
Units issued/proceeds raised	**264,226,278**	3,944,531	**227,029**	2,330
On-market buybacks	**-**	(2,383,211)	**-**	(1,443)
	264,226,278	1,561,320	**227,029**	887

(b) Movements in unit capital during the year:

Date	Details	Number of units	Issue price	$'000
1 July 2009	Opening balance of units	204,208,313		200,136
31 August 2009	Distribution reinvestment plan	1,891,095	$0.51	957
22 December 2009	Non-renounceable rights issue	34,349,893	$0.70	24,045
26 February 2010	Distribution reinvestment plan	1,324,074	$0.85	1,126
17 May 2010	Acquisition of Kaplan Equity Limited	190,661,216	$0.91	173,502
2 June 2010	Placement	36,000,000	$0.78	28,080
		468,434,591		427,846
2 June 2010	Less: Transaction costs arising on placement	-		(681)
30 June 2010	Closing balance	468,434,591		427,165

18 Contributed equity (continued)

As stipulated in Qube's Constitution, each unit represents a right to an individual unit in Qube and does not extend to a right to the underlying assets of Qube. There are no separate classes of units and each unit has the same rights attaching to it as all other units of Qube.

Qube does not have a fixed termination clause in Qube's Constitution and therefore there is no contractual obligation of Qube to deliver cash or another financial asset to the unitholders.

(c) Capital Risk Management

In accordance with Qube's PDS, the Manager invests in financial assets, including listed securities, unlisted securities, cash and cash equivalent securities. The processes adopted by the Manager to minimise the risks associated with these financial assets are set out in note 23.

Qube's capital management objectives are to ensure sufficient capital resources to support Qube's business and operational requirements and safeguard Qube's ability to continue as a going concern.

19 Reserves and retained earnings

(a) Retained earnings

Movements in retained earnings were as follows:

	Consolidated As at	
	30 June 2010 $'000	30 June 2009 $'000
Opening retained earnings	**(2,709)**	17,966
Profit/(Loss) for the year	**24,324**	(12,534)
Distributions paid and payable	**(4,809)**	(8,141)
Closing balance	**16,806**	(2,709)

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of Qube:

	Consolidated	
	Year ended 30 June 2010 $	Year ended 30 June 2009 $
Audit and other assurance services		
Audit and review of financial statements	**122,410**	105,083
Total remuneration for audit and other assurance services	**122,410**	105,083
Taxation services		
Tax compliance services	**3,440**	-
Total remuneration for taxation services	**3,440**	-
Other services		
Other services	**36,192**	-
Total remuneration	**162,042**	105,083
Tax advisory services for KEL acquisition	**91,300**	-
	253,342	-

21 Segment information

(a) Description of segments

The Manager has determined the operating segments based on an assessment of the operating characteristics and key business drivers of the underlying businesses in which Qube invested. This determination was made in consultation with Qube's Investment Advisory Committee ("IAC").

The Manager and the IAC consider the business from both a product and a geographic perspective and have identified four reportable segments:

- Landside Logistics consists of business focussed on the physical movement of import and export freight excluding the stevedoring of the freight onto and off the vessel. It also includes the related documentation processes.
- Automotive and General Stevedoring consists of business focussed on the stevedoring of vehicles, bulk and break bulk products including the provision of related services such as storage.
- Other Logistics Investments consists of unlisted logistics investments that do not fall within the other two segments.
- Listed Investments & Other Assets consists of listed infrastructure and utilities investments, other listed securities and other assets, including cash.

The Manager and the IAC monitors the performance of the segments separately.

21 Segment information (continued)

(b) Segment information provided to the Manager & IAC

Consolidated 30 June 2010	Landside Logistics $'000	Other Logistics Investments $'000	Automotive & General Stevedoring $'000	Listed Investments & Other Assets $'000	Total $'000
Total segment income	8,115	303	25,395	3,908	37,721
Adjusted EBITDA	**401**	**1,258**	**4,569**	**(5,044)**	**1,184**
Consolidated 30 June 2009					
Total segment income	13,421	(3,860)	(7,111)	(9,075)	(6,625)
Adjusted EBITDA	1,365	1,239	2,497	(23,381)	(18,280)
Total segment assets					
30 June 2010	**123,328**	**100,868**	**240,635**	**33,716**	**498,547**
30 June 2009	52,505	42,641	64,350	66,690	226,186

The reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Adjusted EBITDA	1,184	(18,280)
Interest revenue	2,433	2,475
Finance costs	(1,994)	(1,846)
Unrealised gains/(losses)	28,512	5,379
Amortisation expense	(222)	(223)
Profit before income tax from continuing operations	**29,913**	**(12,495)**

The amounts provided to the Manager and the IAC 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.

22 Derivative financial instruments

In the normal course of business Qube enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of Qube's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of Qube against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

Qube may be geared (leveraged) through the use of derivatives.

Qube holds the following derivative instuments:

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held by Qube are exchange traded. Qube is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value.

The notional amounts of Qube's derivative financial instruments at the end of the year are detailed below:

	Consolidated As at	
	30 June 2010 $'000	30 June 2009 $'000
Australian exchange traded options	**296**	513
Total	**296**	513

23 Financial risk management

Qube is exposed to credit risk, market risk (interest rate risk, foreign exchange risk, price risk) and liquidity risk arising from the financial instruments it holds.

The Manager carries out the risk management process of Qube under the policy set out in the Product Disclosure Statement and Derivative Risk Management Statement. Compliance is reported to the Responsible Entity monthly and audited annually by an independent auditor.

The risk management process involves a combination of portfolio construction and detailed analysis. The Manager undertakes a continuous review of the performance and prospects of the investments in Qube. This will include consideration of the gearing levels within each invested entity and the impact of adverse movements in interest rates, the level and predictability of cashflows to meet debt obligations and fund capital expenditure as well as any change in strategy that changes the risk profile of the investment.

The carrying amounts of Qube's financial assets and liabilities at the balance sheet date approximate their fair value.

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Qube is exposed to credit risk as a result of its deposits with banks and investments in fixed interest securities and money market securities such as bank bills. The Manager mitigates Qube's credit risk arising from these investments by investing only in term deposits and money market securities issued by the major domestic banks.

None of the financial assets are impaired nor past due but not impaired at 30 June 2010 and 30 June 2009.

There were no significant concentrations of credit risk to counterparties at 30 June 2010 or 30 June 2009.

The carrying amounts of cash and cash equivalents, fixed interest securities and money market securities best represent the maximum credit risk exposure at the balance sheet date. The credit quality of these securities is set out in the table below.

	Consolidated As at	
	30 June 2010 $'000	30 June 2009 $'000
Cash and cash equivalents		
AA-	-	11,038
AA	**23,166**	33,928
	23,166	44,966
Fixed interest securities		
AA-	-	9,002
	-	9,002

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and price risk.

(i) Foreign exchange risk

Qube is exposed to foreign exchange risk as a result of its investments in financial instruments denominated in Singapore dollars. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities. Qube's exposure to foreign exchange risk is minimal as it mainly invests in securities denominated in Australian dollar.

23 Financial risk management (continued)

When the investment manager formulates a view on the future direction of foreign exchange rates and the potential impact on Qube, the investment manager factors that into its portfolio allocation decisions. While Qube has direct exposure to foreign exchange rate changes on the price of non-Australian dollar-denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain companies in which Qube invests, even if those companies' securities are denominated in Australian dollars. For that reason, the sensitivity analysis on page 34 may not necessarily indicate the total effect on Qube's net assets attributable to unit holders of future movements in foreign exchange rates.

The Manager has full discretion with regards to the hedging of any foreign currency risks. Qube does not have any foreign currency hedge at 30 June 2010 and 30 June 2009.

The table below summarises Qube's assets and liabilities, monetary & non-monetary, which are denominated in a currency other than the Australian dollar.

Consolidated 30 June 2010	**Australian A$'000**	**Singapore A$'000**	**Total A$'000**
Assets			
Cash and cash equivalents	**23,166**	**-**	**23,166**
Trade and other receivables	**1,250**	**-**	**1,250**
Financial assets at fair value through profit or loss	**462,039**	**3,040**	**465,079**
Intangible asset	**9,052**	**-**	**9,052**
Total assets	**495,507**	**3,040**	**498,547**
Liabilities			
Trade and other payables	**941**	**-**	**941**
Financial liabilities at fair value through profit or loss	**21**	**-**	**21**
Borrowings	**48,278**	**-**	**48,278**
Deferred tax liabilities	**5,336**	**-**	**5,336**
Total liabilities	**54,576**	**-**	**54,576**

Consolidated 30 June 2009	**Australian A$'000**	**Singapore A$'000**	**Total A$'000**
Assets			
Cash and cash equivalents	44,966	-	44,966
Trade and other receivables	747	-	747
Financial assets at fair value through profit or loss	173,388	3,299	176,687
Intangible asset	3,786	-	3,786
Total assets	222,887	3,299	226,186
Liabilities			
Trade and other payables	454	-	454
Distributions payable	4,084	-	4,084
Financial liabilities at fair value through profit or loss	57	-	57
Deferred tax liabilities	39	-	39
Borrowings	24,125	-	24,125
Total liabilities	28,759	-	28,759

The sensitivities of the consolidated entity's monetary assets and liabilities to foreign exchange risk is summarised in (c). The analysis is based on the assumption that the Australian dollar weakened/strengthened by 5% (2009 - 5%) against the Singapore dollar. The impact arises mainly from Qube's holding in listed Singapore securities.

23 Financial risk management (continued)

(ii) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Qube's exposure to interest rate risk arose primarily from its investments in money market securities and term deposits with banks. The Manager mitigates Qube's interest rate risk by investing mainly in floating rate securities and in respect of borrowings has entered into fixed rate swaps over a portion of the debt.

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

Consolidated 30 June 2010	**Floating interest rate $'000**	**Fixed interest rate 1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Cash and cash equivalents	**9,092**	**14,074**	**-**	**-**	**-**	**23,166**
Receivables	**-**	**-**	**-**	**-**	**1,250**	**1,250**
Financial assets held at fair value through profit or loss	**-**	**-**	**-**	**-**	**465,079**	**465,079**
Intangible asset	**-**	**-**	**-**	**-**	**9,052**	**9,052**
Payables	**-**	**-**	**-**	**-**	**(941)**	**(941)**
Financial liabilities held at fair value through profit or loss	**-**	**-**	**-**	**-**	**(21)**	**(21)**
Borrowings	**(48,278)**	**-**	**-**	**-**	**-**	**(48,278)**
Deferred tax liabilities	**-**	**-**	**-**	**-**	**(5,336)**	**(5,336)**
	(39,186)	**14,074**	**-**	**-**	**469,083**	**443,971**
Weighted average interest rate	5.53 %	5.71 %	- %	- %	- %	

Consolidated 30 June 2009	**Floating interest rate $'000**	**Fixed interest rate 1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Cash and cash equivalents	6,997	37,969	-	-	-	44,966
Receivables	-	-	-	-	747	747
Financial assets held at fair value through profit or loss	-	9,002	-	-	167,685	176,687
Intangible assets	-	-	-	-	3,786	3,786
Payables	-	-	-	-	(454)	(454)
Distributions payable	-	-	-	-	(4,084)	(4,084)
Financial liabilities held at fair value through profit or loss	-	-	-	-	(57)	(57)
Borrowings	(24,125)	-	-	-	-	(24,125)
Deferred tax liabilities	-	-	-	-	(39)	(39)
	(17,128)	46,971	-	-	167,584	197,427
Weighted average interest rate	6.00 %	3.61 %	- %	- %	- %	

The sensitivities of the consolidated entity's monetary assets and liabilities to interest rate risk is summarised in (c) below. The analysis is based on the assumption that interest rates changed +/-100 basis points (2009 - +/- 100 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of money market securities, interest rate securities, term deposits with banks and borrowing.

23 Financial risk management (continued)

(iii) Price risk

Qube's investment in securities listed on the Australian Securities Exchange exposes it to risk arising from the fluctuation in their market prices. The Manager mitigates this risk through diversification, undertaking thorough research before investing.

Qube's investment in unlisted securities exposes it to risk arising from the fluctuations in their fair values. The fair value of the unlisted securities is determined using independent valuation adopted by the Responsible Entity in consultation with Qube's Manager. Where discounted cash flow is used in the valuation of the unlisted securities, the valuation is impacted by assumptions used in the valuation, including future cashflows, discount rate, estimated terminated value, value of surplus assets and level of net debt outstanding.

The Manager may also from time to time, write covered call options to partly protect the portfolio from negative price risk. Qube's risk management policy prohibits the Manager from writing uncovered call options.

The maximum price risk that might result from Qube's investments is determined by their current market value.

The sensitivities of the consolidated entity's investments in listed securities to movement in the S&P ASX200 is summarised in (c) below. The analysis is based on the assumption that the S&P ASX200 moved by +/- 10% (2009 - +/- 10%), with other variables held constant, and that Qube's investments moved according to their historical correlation with the S&P ASX200.

(c) Sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's after tax operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and other price risk (excluding the impact from the unlisted investments). A sensitivity analysis on key assumptions used in the discounted cash flow valuation is disclosed in Note 10 separately. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of Qube's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which Qube invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Interest rate risk				Foreign exchange risk				Price risk			
	-100 bps		+100 bps		-5% SGD		+5% SGD		-10%		+10%	
30 June 2010	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
	(232)	(232)	232	232	(152)	(152)	152	152	(101)	(101)	101	101
Total increase/ (decrease)	(232)	(232)	232	232	(152)	(152)	152	152	(101)	(101)	101	101

	Interest rate risk				Foreign exchange risk				Price risk			
	-100 bps		+100 bps		-5% SGD		+5% SGD		-10%		+10%	
30 June 2009	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
	(537)	(537)	537	537	(165)	(165)	165	165	(551)	(551)	551	551
Total increase/ (decrease)	(537)	(537)	537	537	(165)	(165)	165	165	(551)	(551)	551	551

23 Financial risk management (continued)

(d) Liquidity and cash flow risk

Liquidity risk is the risk that Qube will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

Qube has invested in a number of unlisted logistics and infrastructure investments. These investments may not be readily realisable. The Manager in consultation with the IAC undertakes a continuous review of the performance and prospects for these investments, which includes the level and predictability of cashflows to meet debt obligations and fund capital expenditure.

The table below analyses Qube's financial liabilities excluding gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year end date. The amounts in the table are contractual undiscounted cash flows.

Consolidated	**Less than 1 month $'000**	**1-6 months $'000**	**6-12 months $'000**	**1-2 years $'000**
As at 30 June 2010				
Trade and other payables	941	-	-	-
Distributions payable	-	-	-	-
Financial liabilities at fair value through profit or loss	-	21	-	-
Deferred tax liability	-	-	-	5,336
Borrowings	-	48,278	-	-
Total financial liabilities	941	48,299	-	5,336

Consolidated	**Less than 1 month $'000**	**1 - 6 months $'000**	**6-12 months $'000**	**1-2 years $'000**
As at 30 June 2009				
Trade and other payables	454	-	-	-
Distributions payable	4,084	-	-	-
Financial liabilities at fair value through profit or loss	57	-	-	-
Deferred tax liability	-	-	-	39
Borrowings	-	-	-	24,125
Total financial liabilities	4,595	-	-	24,164

23 Financial risk management (continued)

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amounts of all Qube's financial assets and financial liabilities at the end of each reporting period approximated their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

(i) *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

Qube values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, Qube relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by Qube is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When Qube holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

As a result of events in global markets in the past year and comparative period, liquidity in some investment markets decreased significantly. As a result, the volume of trading in some of the investments held by Qube decreased significantly, and accordingly the valuation of those investments is subject to a greater uncertainty and requires greater judgement than would be the case in normal investment market conditions.

(ii) *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that Qube would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions Qube holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

23 Financial risk management (continued)

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Qube for similar financial instruments.

(f) Fair value hierachy

Qube has adopted the amendments to AASB 7, effective 1 July 2009. This requires Qube to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the responsible entity. The responsible entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out Qube's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Consolidated **As at 30 June 2010**	**Level 1** **$'000**	**Level 2** $'000	**Level 3** **$'000**	**Total** $'000
Assets				
Financial assets at fair value through profit or loss				
Equity securities	**10,305**	-	-	10,305
Unlisted investments	-	-	**454,774**	454,774
Total assets	**10,305**	-	**454,774**	465,079
Liabilities				
Options	21	-	-	21
Total liabilities	21	-	-	21

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include investments in unlisted logistics businesses. As observable prices are not available for these securities, the responsible entity has used valuation techniques to derive fair value, in consultation with the Manager.

For investments in unlisted logistics businesses under level 3, if the discount rate used in the discounted cash flow valuation model was increased/decreased by +/- 1% this would have resulted in an increase/decrease in the fair value as per the sensitivity analysis in note 10.

23 Financial risk management (continued)

Consolidated	**Unlisted Logistics Companies $'000**
Opening balance	**154,563**
Assets acquired on acquisition	**186,336**
Purchases	**93,824**
Gains and losses recognised in profit or loss	**20,051**
Closing balance	**454,774**
Total gains for the period included in profit or loss that relate to assets held at the end of the reporting period	**20,051**

There have been no transfers between levels for the year ended 30 June 2010.

24 Key management personnel disclosures

(a) Directors

Qube does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of Qube and this is considered the Key Management Personnel. The Directors of the Responsible Entity are deemed to be key management personnel (KMP) of that entity and up to the date of this report:

John Atkin
Michael Britton
Vicki Allen
David Grbin
Sally Ascroft (alternate Director for David Grbin) – 24 June 2010 to 1 August 2010

Key management personnel are paid by The Trust Company Limited which is the parent company of The Trust Company (RE Services) Limited. Payments made from Qube to The Trust Company (RE Services) Limited do not include any amounts attributable to the compensation of key management personnel.

No compensation is paid directly by Qube to Directors or to any Key Management Personnel of the Responsible Entity.

Responsible Entity fees and other transactions with Qube are disclosed in note 25.

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of Qube, directly or indirectly during the financial year.

(c) Unit holdings relating to key management personnel

No Directors of the Responsible Entity hold any direct or indirect interests in securities or options over securities of Qube at any time during the financial year.

(d) Loans to key management personnel

Qube has not made, guaranteed or secured, directly or indirectly, any loans to the KMP at any time during the financial year.

(e) Other transactions within the Entity

No Director has entered into a material contract with Qube during the year and there were no material contracts involving directors' interests existing at year end.

25 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

(b) Transactions with other related parties

Under the terms of Qube's Constitution, the Responsible Entity is entitled to receive a minimum annual fee in the first three years of Qube (incl GST) of $55,000, $77,000 and $82,500 respectively plus a gross management fee based on a percentage of the gross asset value of Qube as follows:

i) 0.033% p.a of the gross asset value between $100m and $200m

ii) 0.022% p.a of the gross asset value between $200m and $300m

iii) 0.011% p.a of the gross asset value thereafter

Under the Investment Management Agreement dated 17 November 2006 with the Responsible Entity, Kaplan Funds Management Pty Limited ("Manager") has been appointed as investment manager for Qube.

Under the terms of Qube's Constitution the Manager is entitled to receive:

i) a management fee of 0.66% p.a (incl GST) on the gross asset value of the listed infrastructure and utilities securities and cash and 1.65% p.a (incl GST) on the gross asset value of other investments.

ii) a performance fee of 16.5% p.a (incl GST) of the total holder return above the performance hurdle, multiplied by the net asset value of Qube at the beginning of the performance fee period.

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

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between Qube and the Responsible Entity and Manager were as follows:

	Consolidated	
	Year ended 30 June 2010 $	Year ended 30 June 2009 $
Responsible Entity fees to The Trust Company (RE Services) Limited	**121,443**	100,864
Management fees to Kaplan Funds Management Pty Limited	**3,793,740**	2,895,040
Provision for performance fee to Kaplan Funds Management Pty Limited	**-**	21,096

The performance fee in 2009 of $21,096 relates to GST not accrued at 30 June 2008. No performance fee is payable for year ending 30 June 2010.

26 Business combination

(a) Summary of acquisition

On 17 May 2010 the parent entity acquired 100% of the issued share capital of Kaplan Equity Limited (KEL), a company with investments in a portfolio of listed and unlisted infrastructure, utilities and logistics investments in Australia and Singapore. The acquisition provides Qube with significantly greater exposure to the high value strategic logistic investments owned by KEL, and provides a significant increase in the scale of its investments.

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

	$'000
Purchase consideration (refer to (b) below)	
190,661,216 units issued at $0.91 per unit	173,502

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

	Fair value $'000
Cash	**3,479**
Trade and other receivables	**250**
Financial assets at fair value through profit or loss	**188,785**
Intangible assets	**3,598**
Trade and other payables	**(153)**
Financial liabilities at fair value through profit or loss	**(2)**
Borrowings	**(24,344)**
Net identifiable assets acquired	**171,613**
Add: goodwill	**1,889**
Net assets acquired	**173,502**

The goodwill is attributable to synergies of the combined entities. The above fair values are provisional.

(i) Revenue and profit contribution

The acquired business contributed revenues of ($50,405) and a net loss of ($240,626) to the group for the period from 17 May 2010 to 30 June 2010.

If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been $55,966 and $35,709 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2009, together with the consequential tax effects.

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	-	-
Less: Balances acquired		
Cash	**(3,479)**	-
Direct costs relating to acquisition	**583**	-
(Inflow)/outflow of cash - investing activities	**(2,896)**	-

26 Business combination (continued)

Acquisition-related costs

Acquisition-related costs of $582,655 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

27 Events occurring after the reporting period

A one for ten non-renounceable rights issue closed in July raising approximately $36.5 million before costs.

Since the end of the year no other significant events have occurred since balance date which would impact on the financial position of Qube disclosed in the consolidated balance sheet as at 30 June 2010 or on the consolidated results and consolidated cash flows of Qube for the year ended on that date.

28 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Profit/(loss) for the year	**24,324**	(12,534)
Decrease/(increase) in financial assets at fair value through profit and loss	**(93,571)**	39,177
Increase/(decrease) in financial liabilities at fair value through profit and loss	**-**	(27)
Amortisation of intangibles	**222**	223
Increase/(decrease) in trade and other payables	**120**	(892)
Decrease/(increase) in trade and other receivables	**(253)**	1,191
Increase/(decrease) in intangible assets	**(5,488)**	-
(Decrease)/increase in provision for income taxes payable	**-**	1
Increase/(decrease) in deferred tax liabilities	**5,589**	39
Net cash (outflow)/inflow from operating activities	**(69,057)**	27,178

29 Earnings per unit and net asset backing per unit

	Consolidated Year Ended 30 June 2010 $'000	Consolidated Year Ended 30 June 2010 Cents
(a) Basic earnings per share		
Profit/(loss) from continuing operations attributable to the unitholders of Qube	**24,324**	9.71

	Consolidated Year Ended 30 June 2009 $'000	Consolidated Year Ended 30 June 2009 Cents
Profit/(loss) from continuing operations attributable to the unitholders of Qube	**(12,534)**	(6.16)

(b) Weighted average number of units used as the denominator

	Consolidated Year ended 30 June 2010 Number	Consolidated Year ended 30 June 2009 Number
Weighted average number of units used as the denominator in calculating basic earnings per unit	**250,578,139**	203,543,009

The diluted earnings per unit are the same as the basic earnings per unit.

	30 June 2010	30 June 2009
(c) Net asset backing per unit attributable to the ordinary equity holders of Qube	**$0.9478**	$0.9668

Closing number of units used as the denominator in calculating net asset backing per unit

30 Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	30 June 2010 $'000	30 June 2009 $'000
Balance sheet		
Current assets	**26,576**	53,569
Non-current assets	**418,418**	148,427
Total assets	**444,994**	201,996
Current liabilities	**872**	4,587
Non-current liabilities	**5,336**	-
Total liabilities	**6,208**	4,587
Shareholders' equity		
Contributed equity	**427,165**	200,136
Retained earnings	**11,621**	(2,727)
	438,786	197,409
Profit or loss for the year	**19,158**	(12,551)
Total comprehensive income	**19,158**	(12,551)

31 Investment in subsidiaries

	Parent	
	2010 $'000	2009 $'000
Investment in subsidiaries company at fair value		
- Unlisted investments	**204,248**	18,392

			Holding	
Subsidary	**Place of incorporation**	**Principal activity**	**2010 %**	2009 %
KIL Property Investments Pty Ltd	Australia	Investment holding	**100**	100
Kaplan Equity Limited	Australia	Investment holding	**100**	-

32 Contingent assets and liabilities and commitments

The consolidated Qube entity owns 100% of K-POTA Pty Limited (K-POTA). K-POTA has granted DP World a put option entitling DP World to require K-POTA to acquire 50% or 100% of DP World's shareholding in POTA Holdings Pty Limited based on an agreed multiple of earnings. This option can be exercised any time after 1 January 2011.

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2010.

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 44 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 Qube's financial position as at 30 June 2010 and of its performance for the year ended 30 June 2010; and

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

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

Michael Britton
Director

Sydney
18 August 2010

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Independent auditor's report to the unitholders of Qube Logistics (formerly KFM Diversified Infrastructure & Logistics Fund)

Report on the financial report

We have audited the accompanying financial report of Qube Logistics (formerly KFM Diversified Infrastructure & Logistics Fund), ("the Fund"), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Fund. The consolidated entity comprises the Fund and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the responsible entity, The Trust Company (RE Services) Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Fund comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Liability limited by a scheme approved under Professional Standards Legislation

PRICEWATERHOUSECOOPERS

Independent auditor's report to the unitholders of Qube Logistics (formerly KFM Diversified Infrastructure & Logistics Fund) (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Qube Logistics (formerly KFM Diversified Infrastructure & Logistics Fund) is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Smith
Partner

Sydney
18 August 2010