

# **Transurban Queensland Holdings 1 Pty Limited and controlled entities**

ABN 64 169 090 804

(Including Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and Transurban Queensland Invest Pty Limited)

## **Annual report for the year ended 30 June 2019**

Commercial in confidence

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## Directors' report

The Directors of Transurban Queensland Holdings 1 Pty Limited ('the Company', 'the Parent' or 'TQH1') and its controlled entities ('Transurban Queensland' or 'the Group'), Transurban Queensland Holdings 2 Pty Limited and its controlled entities ('TQH2'), Transurban Queensland Invest Pty Limited ('TQI') and Transurban Queensland Invest Trust and its controlled entities ('TQIT'), present their report on Transurban Queensland for the financial year ended 30 June 2019 ('FY19'). The controlled entities of TQH1 include the other members of the stapled group being TQH2, TQI and TQIT.

## Directors

The following persons were Directors of Transurban Queensland during the whole of the financial year and up to the date of this report, unless otherwise stated:

S Charlton  
N Ficca  
V Hannan (appointed 25 October 2018)  
M Huey (appointed 5 December 2018)  
S Johnson  
J Massey  
T McKay (resigned 25 October 2018)  
E Rubin

## Result

### Statutory results

- Revenue from ordinary activities increased 4.6 per cent to \$867 million;
- Loss from ordinary activities after tax decreased 81.1 per cent to \$13 million;
- Earnings before depreciation and amortisation, net finance costs and income taxes ('EBITDA') increased 5.2 per cent to \$470 million.

## Distributions and dividends

| Quarter Ended        |              | 2019<br>\$M        | 2018<br>\$M  |
|----------------------|--------------|--------------------|--------------|
| 30 September         | Distribution | 37.5               | 39.5         |
| 31 December          | Distribution | 47.0               | 47.5         |
| 31 March             | Distribution | 36.0               | 34.5         |
| 30 June <sup>1</sup> | Distribution | 260.0 <sup>2</sup> | 46.0         |
|                      |              | <b>380.5</b>       | <b>167.5</b> |

1. In addition to the above distributions, \$44m of shareholder loan note principal was redeemed by shareholders in FY19 (FY18: \$30m).

2. The distribution for the quarter ended 30 June 2019 included a one-off capital distribution of \$230m.

## Principal activities

The principal activities of the Group during the financial year were the development, operation, maintenance and financing of toll road assets in south-east Queensland as well as management of the associated customer and client relationships.

# Operating and financial review

## Our business

Transurban Queensland manages and develops urban road assets in south-east Queensland.

The Group operates six toll road assets across five concession agreements including the Logan and Gateway Motorways, Clem7, Go Between Bridge, Legacy Way and AirportlinkM7.

The Transurban Queensland Group was established in 2014 by a consortium of investors including the Transurban Group (62.5%), Australian Super (25%) and Tawreed Investments Limited (12.5%).

## Concession assets timeline

The concession asset end dates are listed below:

|                             | Concession end date |
|-----------------------------|---------------------|
| Gateway and Logan Motorways | 2051                |
| Clem7 Tunnel                | 2051                |
| AirportlinkM7               | 2053                |
| The Go Between Bridge       | 2063                |
| Legacy Way Tunnel           | 2065                |

## Strategy

The Group provides effective road transportation solutions to support the growth and development of south-east Queensland, through developing and operating urban road assets.

This strategy is achieved through providing sustainable transport solutions that offer choice, reliability, safety, transparency and value for the Queensland market.

The Group focuses on the following areas to realise the strategy:

- Stakeholder engagement
- Optimal networks
- Delivery and operations
- Disciplined investment

In delivering the strategy, the Group strives to create value for customers, community, employees, government and industry, business partners and suppliers, and investors.

## Value proposition

The Group has a market leading position with an interest in six operating assets across Queensland. The investment proposition for high quality toll road assets lies in providing investors with access to long dated, predictable, growing cash flows generated over the life of the concession.

Organic growth is derived from traffic growth and inflation protected toll escalation. It is supported by the Group's ability to provide efficient corporate and operational services at scale across its portfolio. The Group has a track record of leveraging its core competencies to drive cost efficiencies and margin uplift.

In addition, value is added through using an integrated network approach to development and investment in the portfolio of underlying assets.

## Safety

Improving the Health, Safety and Environment (HSE) performance of Transurban Queensland continues to be a primary focus for the business. During the year ended 30 June 2019, there was a commitment to manage the key HSE risks and integrating HSE into every part of the business. The Group integrated all elements of health, safety, and environment into a single Transurban management system that meets current and future accreditation. The Group is proactively working with the community towards leading road safety outcomes through implementing road safety initiatives aligned with safer roads, safer speeds, safer vehicles and safer people.



## Operating and financial review (continued)

### Group financial performance

#### Financial performance indicators

The Board and management assess the performance of the network based on a measure of earnings before interest, tax, depreciation and amortisation expenses ('EBITDA')

#### Year ended 30 June 2019 highlights

##### Statutory results

|                   | FY19<br>\$M | FY18<br>\$M |
|-------------------|-------------|-------------|
| Toll revenue      | 643.0       | 628.5       |
| EBITDA            | 469.6       | 446.2       |
| Net profit/(loss) | (13.4)      | (70.8)      |

### Concession Asset performance

| Asset             | Toll revenue contribution <sup>1</sup> | Traffic growth (ADT) | Toll revenue growth |
|-------------------|--|----------------------|---------------------|
| Gateway           | 34.8%                                  | 0.8%                 | 2.0%                |
| Logan             | 28.2%                                  | (2.0%)               | (0.2%)              |
| AirportlinkM7     | 19.7%                                  | 3.7%                 | 4.4%                |
| Clem7             | 8.8%                                   | 0.9%                 | 3.4%                |
| Legacy Way        | 6.5%                                   | 7.7%                 | 9.8%                |
| Go Between Bridge | 2.0%                                   | (0.9%)               | 0.9%                |

<sup>1</sup> Calculated based on toll only revenue for the period ended 30 June 2019.

### Operations

- Completion of the insourcing of operations, with the final asset Clem7, on boarded as part of a broader tunnel network integration program
- Australian-first incident response motorcycle trial underway on Gateway and Logan, with incidents cleared eight minutes faster on average
- Full year delivery of Operations and Maintenance on Inner City Bypass (ICB) following the completion of the project in August 2018 resulting in travel-time savings, reduced congestion and improved incident response times for customers
- Work underway for the integration of traffic control rooms into a single network operations centre
- Improved fee arrangements flowing through to benefit customers

## Operating and financial review (continued)

### Development

| Logan Enhancement Project ('LEP')  | Inner City Bypass ('ICB')  | Gateway Upgrade North ('GUN')                                      |
|--|--|--|
| → Total project cost \$512.0 million, increasing capacity and safety in key areas of the Logan Motorway. | → Transurban Queensland project managed and financed the delivery of the \$60 million ICB upgrade. | → Project completed and all motorway lanes opened in January 2019. |
| → Project completed August 2019.   | → Project completed with additional lanes on ICB and new on-ramp opened August 2018.               |  |
| → Logan and Gateway HCV tolls increasing post-completion.  |  |  |
| → Community project being delivered as part of the project.  |  |  |

### Financing activities

During the reporting period the Group completed a number of financing activities including:

May 2019 Successfully raised \$875 million of senior secured notes in the US Private Placement market.

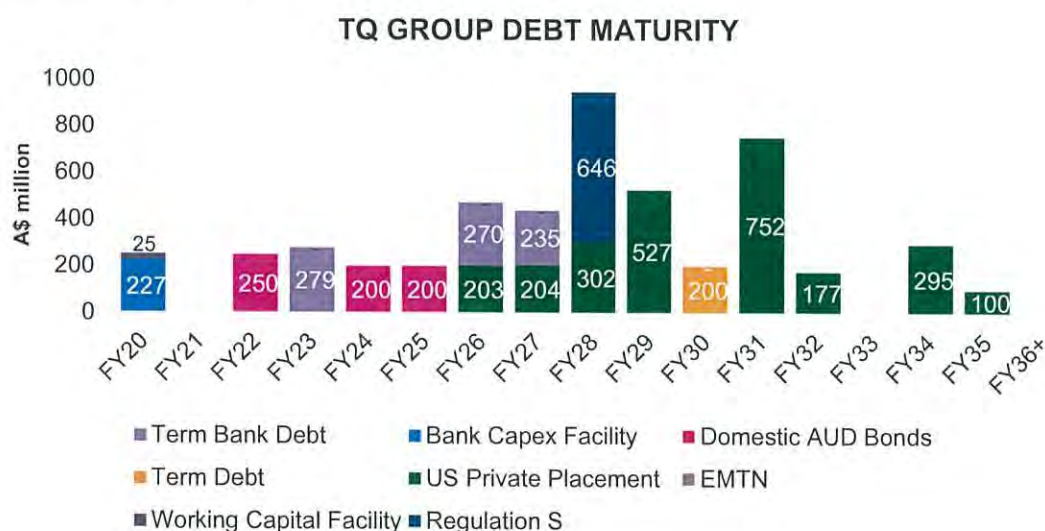
Subsequent to 30 June 2019 the Group has refinanced its capital expenditure borrowing facility, establishing a new 3 year \$500 million facility with a maturity of August 2022.

There were no changes to the Group ratings of BBB / Stable provided by Standard and Poor's Financial Services LLC rating service during the period.

### Debt maturity profiles

The following chart shows the Group's current debt maturity profile based on the total facilities available. The chart shows the full value of the debt facilities in the financial year they mature as this is the value of debt for refinancing purposes.

The debt values are shown at 30 June 2019. USD and CHF denominated debt has been converted at the hedged rate, as these borrowings are covered by cross currency swaps to remove the risk of unfavourable exchange rate movements – refer to note B11.



### Financial risk management

The Group's exposure to financial risk management and its policies for managing that risk can be found in the Financial Risk Management notes in the financial statements – note B11. This section outlines the Group's hedging policies, credit risk, interest rate risk and liquidity and funding policies.



## Operating and financial review (continued)

### Sustainability

The Sustainability Strategy has been changed to better align with the nine UN SDGs most relevant to the Group and its stakeholders. In doing so, the commitment to the UN Global Compact, and contribution to global sustainability efforts are reinforced. The strategy is supported by a set of objectives and work program. The Group has used the UN SDG icons (below) to measure how initiatives are contributing to the global goals.



During the period, Transurban Queensland continued with a range of sustainability initiatives, including:

- The awarding of an 'Excellent' independent Infrastructure Sustainability (IS) Design Rating for the Gateway Upgrade North project and Logan Enhancement Project;
- Implementation of Road Safety Action Plans for the Queensland market;
- Continued efforts towards the '10-in-10' commitment to reduce energy consumption by 10% by 2023;
- Community investment through major local partnerships, grants, employee volunteering and support for a range of community and charitable organisations';
- Working with suppliers directly to identify possible exposure to modern slavery and joined the United Nations Global Compact Network Australia's Modern Slavery Community of Practice;
- Introduced requirement for each business unit to prepare and implement Health, Safety and Environment Action Plans (HSEAPs);
- Focused on our diversity profile including Transurban Group achieving WGEA EOCGE citation for the fifth consecutive year and achieving gender equity pay gap of less than 1%;
- Implemented a digital learning platform, which has expanded the scope and scale of learning opportunities for our people including a shift to a more curious, self-initiated learning proposition;
- Continued the Females Excelling in Engineering and Technology (FEET) student mentoring program and Women in leadership program (internal training);
- Developed the capability and breadth of senior leadership, including attending the sixth Senior Leadership Program (SLP) in partnership with international business school, INSEAD.
- Progressed the Connected and Automated Vehicles (CAV) program; and
- Launched 'LinktAssist'—a dedicated team to support customers that are experiencing social or financial hardship.

## Operating and financial review (continued)

### Business risks and opportunities

The following are key opportunities that may impact the Group's financial and operating result in future periods:

- Ability to leverage capabilities to enhance the southeast Queensland network;
- Greater than forecast traffic volumes;
- Integration of consistent technology and systems to enhance network footprint;
- Ability to harness knowledge and experience to drive operations and maintenance;
- Identification of new business opportunities in the Queensland market;
- Ability to rapidly harness our technology and services to develop new projects; and
- Application of sustainability initiatives to enhance road user and local community experiences.

The following are key risks that may impact the Group's financial and operating result in future periods:

- Reduced traffic volumes, including unfavourable movements in vehicle class mix;
- Change in government policies or regulatory interpretations;
- Access to suitable financing arrangements;
- Safety incidents through operations or driver behaviour;
- Dependency on the services of key contractors and counterparties;
- Changes to external market conditions impacting operational deliverables;
- External cyber-attacks and failure to protect our information; and
- Failure of technical infrastructure.

### Risk management

Managing risk is an essential part of the Group's business. Key risks are regularly reviewed by the Board, the Audit and Risk Review Committee, and the leadership team.

The Group has a business-wide risk framework in place to help create a consistent and rigorous approach to identifying, analysing and evaluating risks. This framework has various policies, standards and guidelines attached to it, including the Risk Management Policy. The framework is overseen by the Audit and Risk Review Committee and is actively managed by the leadership team.

### Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

During the year the following fees were paid or payable for audit and non-audit services provided by the auditor of the Group, its related practices and non-related audit firms:

|   | 2019<br>\$     | 2018<br>\$     |
|---|----------------|----------------|
| <b>Amounts received or due and receivable by PricewaterhouseCoopers</b> |                |                |
| <b>Audit and other assurance services:</b>                              |                |                |
| Audit and review of financial reports                                   | 496,000        | 571,000        |
| Other assurance services  | 25,000         | 90,000         |
|   | <b>521,000</b> | <b>661,000</b> |
| Other services  | -              | -              |
| <b>Total remuneration for PricewaterhouseCoopers</b>                    | <b>521,000</b> | <b>661,000</b> |
| <b>Total auditors remuneration</b>                                      | <b>521,000</b> | <b>661,000</b> |



## Operating and financial review (continued)

### Indemnification and insurance

Each officer (including each Director) of the Group is indemnified, to the maximum extent permitted by law, against any liabilities incurred as an officer of the Group pursuant to agreements with the Group. Each officer is also indemnified against reasonable costs (whether legal or otherwise) incurred in relation to relevant proceedings in which the officer is involved because the officer is or was an officer.

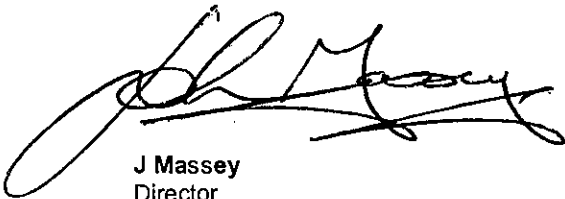
The Group has arranged to pay a premium for a Director's and officer's liability insurance policy to indemnify Directors and officers in accordance with the terms and conditions of the policy.

This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the insurer, the limit of liability and the premium paid for this policy.

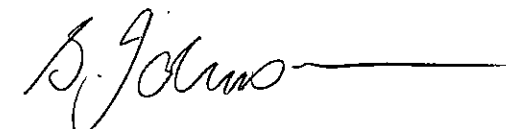
### Rounding of amounts

The Group is of a kind referred to in instrument 2016/191, 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 instrument to the nearest hundred thousand, or in certain cases, to the nearest dollar.

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



**J Massey**  
Director



**S Johnson**  
Director

Brisbane  
28 August 2019



## *Auditor's Independence Declaration*

As lead auditor for the audit of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Pty Limited and Transurban Queensland Invest Trust for the year ended 30 June 2019, 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 Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Pty Limited and Transurban Queensland Invest Trust and the entities they controlled during the period.

A handwritten signature in black ink, appearing to read 'M. Laithwaite', is written over a light blue horizontal line.

Marcus Laithwaite  
Partner  
PricewaterhouseCoopers

Melbourne  
28 August 2019

# Transurban Queensland Holdings 1 Pty Limited ABN 64 169 090 804

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## Section A: Group financial statements

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**Transurban Queensland Holdings 1 Pty Limited**  
**Consolidated statement of comprehensive income**  
**for the year ended 30 June 2019**

|   | Note | 2019<br>\$M    | 2018<br>\$M    |
|---|------|----------------|----------------|
| <b>Revenue</b>  | B4   | 866.5          | 828.4          |
| <b>Expenses</b>   |      |                |                |
| Employee benefits expense   |      | (22.9)         | (19.7)         |
| Management fees   |      | (26.0)         | (27.5)         |
| Administrative expenses   |      | (7.4)          | (11.2)         |
| Construction costs  |      | (213.3)        | (196.3)        |
| Road operating costs  |      | (127.3)        | (127.5)        |
| <b>Total expenses</b>   |      | <b>(396.9)</b> | <b>(382.2)</b> |
| <b>Earnings before depreciation, amortisation, net finance costs and income taxes</b> |      | <b>469.6</b>   | <b>446.2</b>   |
| Depreciation  |      | (8.0)          | (4.7)          |
| Amortisation  | B13  | (223.6)        | (222.0)        |
| <b>Total depreciation and amortisation</b>  |      | <b>(231.6)</b> | <b>(226.7)</b> |
| Net finance costs   | B9   | (306.7)        | (310.0)        |
| <b>Profit/(loss) before income tax</b>  |      | <b>(68.7)</b>  | <b>(90.5)</b>  |
| Income tax benefit/(expense)  | B5   | 55.3           | 19.7           |
| <b>Profit/(loss) for the year</b>   |      | <b>(13.4)</b>  | <b>(70.8)</b>  |
| <i>Profit/(loss) attributable to:</i>   |      |                |                |
| Ordinary securities holders of the stapled group                                      |      |                |                |
| - Attributable to TQH1  |      | 13.6           | (43.4)         |
| - Attributable to TQH2/TQI/TQIT   |      | (27.0)         | (27.4)         |
|   |      | <b>(13.4)</b>  | <b>(70.8)</b>  |
| <b>Other comprehensive income</b>   |      |                |                |
| <i>Items that may be reclassified to profit or loss in the future</i>                 |      |                |                |
| Changes in the fair value of cash flow hedges, net of tax                             |      | (62.2)         | (79.7)         |
| <b>Other comprehensive income/(loss) for the year, net of tax</b>                     |      | <b>(62.2)</b>  | <b>(79.7)</b>  |
| <b>Total comprehensive income/(loss) for the year</b>                                 |      | <b>(75.6)</b>  | <b>(150.5)</b> |
| <i>Total comprehensive income for the year is attributable to:</i>                    |      |                |                |
| Ordinary security holders of the stapled group  |      |                |                |
| - Attributable to TQH1  |      | 13.6           | (43.4)         |
| - Attributable to TQH2/TQI/TQIT   |      | (89.2)         | (107.1)        |
|   |      | <b>(75.6)</b>  | <b>(150.5)</b> |

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

Transurban Queensland Holdings 1 Pty Limited  
Consolidated balance sheet  
as at 30 June 2019

|   | Note | 2019<br>\$M    | 2018<br>\$M    |
|---|------|----------------|----------------|
| <b>ASSETS</b>   |      |                |                |
| <b>Current assets</b>   |      |                |                |
| Cash and cash equivalents   | B6   | 92.1           | 87.1           |
| Trade and other receivables   | B6   | 32.6           | 31.8           |
| Current tax asset   |      | 0.1            | -              |
| <b>Total current assets</b>   |      | <b>124.8</b>   | <b>118.9</b>   |
| <b>Non-current assets</b>   |      |                |                |
| Derivative financial instruments  | B11  | 56.2           | 13.8           |
| Property, plant and equipment   |      | 22.0           | 18.3           |
| Deferred tax assets   | B5   | 838.0          | 750.5          |
| Goodwill  | B12  | 204.7          | 204.7          |
| Other intangible assets   | B13  | 8,010.2        | 8,032.0        |
| <b>Total non-current assets</b>   |      | <b>9,131.1</b> | <b>9,019.3</b> |
| <b>Total assets</b>   |      | <b>9,255.9</b> | <b>9,138.2</b> |
| <b>LIABILITIES</b>  |      |                |                |
| <b>Current liabilities</b>  |      |                |                |
| Trade and other payables  | B6   | 78.1           | 101.1          |
| Maintenance provision   | B14  | 85.0           | 99.9           |
| Other provisions  |      | 124.3          | 4.2            |
| Other liabilities   | B7   | 54.3           | 48.1           |
| <b>Total current liabilities</b>  |      | <b>341.7</b>   | <b>253.3</b>   |
| <b>Non-current liabilities</b>  |      |                |                |
| Borrowings  | B10  | 5,075.2        | 4,369.5        |
| Maintenance provision   | B14  | 535.3          | 528.6          |
| Other provisions  |      | 0.7            | 122.8          |
| Other liabilities   | B7   | 1.4            | 1.6            |
| Derivative financial instruments  | B11  | 108.9          | 156.8          |
| Shareholder loans   | B22  | 778.2          | 822.2          |
| <b>Total non-current liabilities</b>                                      |      | <b>6,499.7</b> | <b>6,001.5</b> |
| <b>Total liabilities</b>  |      | <b>6,841.4</b> | <b>6,254.8</b> |
| <b>Net assets</b>   |      | <b>2,414.5</b> | <b>2,883.4</b> |
| <b>EQUITY</b>   |      |                |                |
| Contributed equity  |      | 568.9          | 568.9          |
| Accumulated losses  |      | (351.3)        | (352.1)        |
| Equity attributable to other members of the stapled group (TQH2/TQI/TQIT) | B17  | 2,196.9        | 2,666.6        |
| <b>Total equity</b>   |      | <b>2,414.5</b> | <b>2,883.4</b> |

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



Transurban Queensland Holdings 1 Pty Limited  
Consolidated statement of changes in equity  
for the year ended 30 June 2019

|  | No. of<br>securities<br>M | Contributed<br>equity<br>\$M | Reserves<br>\$M | Accumulated<br>losses<br>\$M | Equity<br>attributable to<br>other<br>members –<br>TQH2, TQ1<br>& TQIT<br>\$M | Total<br>equity<br>\$M |
|--|---------------------------|------------------------------|-----------------|------------------------------|---|------------------------|
| <b>Balance at 1 July 2017</b>                                    | 4,546.0                   | 568.9                        | -               | (308.7)                      | 2,941.2   | 3,201.4                |
| <b>Comprehensive income</b>                                      |                           |                              |                 |                              |   |                        |
| Profit/(loss) for the year                                       | -                         | -                            | -               | (43.4)                       | (27.4)  | (70.8)                 |
| Other comprehensive income/(loss)                                | -                         | -                            | -               | -                            | (79.7)  | (79.7)                 |
| <b>Total comprehensive income/(loss)</b>                         | -                         | -                            | -               | (43.4)                       | (107.1)   | (150.5)                |
| <b>Transactions with owners in their capacity<br/>as owners:</b> |                           |                              |                 |                              |   |                        |
| Dividends/distributions provided for or paid <sup>1</sup>        | -                         | -                            | -               | -                            | (167.5)   | (167.5)                |
|  | -                         | -                            | -               | -                            | (167.5)   | (167.5)                |
| <b>Balance at 30 June 2018 as originally<br/>presented</b>       | 4,546.0                   | 568.9                        | -               | (352.1)                      | 2,666.6   | 2,883.4                |
| Change in accounting policy <sup>2</sup>                         | -                         | -                            | -               | (12.8)                       | -   | (12.8)                 |
| <b>Balance at 1 July 2018</b>                                    | 4,546.0                   | 568.9                        | -               | (364.9)                      | 2,666.6   | 2,870.6                |
| <b>Comprehensive income</b>                                      |                           |                              |                 |                              |   |                        |
| Profit/(loss) for the year                                       | -                         | -                            | -               | 13.6                         | (27.0)  | (13.4)                 |
| Other comprehensive income/(loss)                                | -                         | -                            | -               | -                            | (62.2)  | (62.2)                 |
| <b>Total comprehensive income/(loss)</b>                         | -                         | -                            | -               | 13.6                         | (89.2)  | (75.6)                 |
| <b>Transactions with owners in their capacity<br/>as owners:</b> |                           |                              |                 |                              |   |                        |
| Dividends/distributions provided for or paid <sup>1</sup>        | -                         | -                            | -               | -                            | (380.5)   | (380.5)                |
|  | -                         | -                            | -               | -                            | (380.5)   | (380.5)                |
| <b>Balance at 30 June 2019</b>                                   | 4,546.0                   | 568.9                        | -               | (351.3)                      | 2,196.9   | 2,414.5                |

1. Refer to note B8 for further details of dividends and distributions provided for or paid.

2. Refer to note B26 for further details of changes in accounting policy.

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

Transurban Queensland Holdings 1 Pty Limited  
Consolidated statement of cash flows  
for the year ended 30 June 2019

|   | Note | 2019<br>\$M    | 2018<br>\$M    |
|---|------|----------------|----------------|
| <b>Cash flows from operating activities</b>                 |      |                |                |
| Receipts from customers                                     |      | 706.5          | 691.5          |
| Payments to suppliers and employees                         |      | (216.5)        | (216.1)        |
| Payments for maintenance of intangible assets               |      | (72.9)         | (63.1)         |
| Other revenue   |      | 10.1           | 3.7            |
| Interest received   |      | 2.5            | 2.1            |
| Interest/debt fees paid                                     |      | (205.4)        | (196.0)        |
| Shareholder loan note interest paid                         |      | (65.3)         | (65.3)         |
| Income tax paid   |      | (0.1)          | -              |
| <b>Net cash inflow/(outflow) from operating activities</b>  | (a)  | <b>158.9</b>   | <b>156.8</b>   |
| <b>Cash flows from investing activities</b>                 |      |                |                |
| Payments for intangible assets                              |      | (243.2)        | (179.7)        |
| Payments for property, plant and equipment                  |      | (8.9)          | (7.8)          |
| <b>Net cash inflow/(outflow) from investing activities</b>  |      | <b>(252.1)</b> | <b>(187.5)</b> |
| <b>Cash flows from financing activities</b>                 |      |                |                |
| Proceeds from borrowings (net of costs)                     |      | 1,158.2        | 2,091.8        |
| Repayment of borrowings                                     |      | (635.5)        | (1,861.2)      |
| Redemption of shareholder loan notes                        |      | (44.0)         | (30.0)         |
| Dividends and distributions paid                            | B8   | (380.5)        | (167.5)        |
| <b>Net cash inflow/(outflow) from financing activities</b>  |      | <b>98.2</b>    | <b>33.1</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>5.0</b>     | <b>2.4</b>     |
| Cash and cash equivalents at the beginning of the year      |      | 87.1           | 84.7           |
| <b>Cash and cash equivalents at end of the year</b>         | B6   | <b>92.1</b>    | <b>87.1</b>    |

**(a) Reconciliation of profit/(loss) after income tax to net cash flow from operating activities**

|  | 2019<br>\$M  | 2018<br>\$M  |
|--|--------------|--------------|
| Profit/(loss) for the year                                 | (13.4)       | (70.8)       |
| Depreciation and amortisation                              | 231.6        | 226.7        |
| Non-cash net finance costs                                 | 36.9         | 21.7         |
| <i>Change in operating assets and liabilities:</i>         |              |              |
| (Increase)/decrease in trade and other receivables         | (18.6)       | (5.0)        |
| Increase/(decrease) in operating creditors and accruals    | 5.8          | 27.2         |
| Increase/(decrease) in provisions                          | (32.3)       | 3.1          |
| (Increase)/decrease in deferred and current taxes          | (55.7)       | (53.3)       |
| Increase/(decrease) in other liabilities                   | 4.6          | 7.2          |
| <b>Net cash inflow/(outflow) from operating activities</b> | <b>158.9</b> | <b>156.8</b> |

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

Transurban Queensland Holdings 1 Pty Limited  
Consolidated statement of cash flows  
for the year ended 30 June 2019

(b) Reconciliation of liabilities arising from financing activities

|   | Borrowings<br>non-current<br>\$M | Shareholder<br>loan notes<br>\$M | Debt principal<br>related<br>derivatives<br>(included in<br>assets /<br>liabilities) <sup>1</sup><br>\$M | Total debt<br>related<br>financial<br>instruments<br>\$M |
|---|----------------------------------|----------------------------------|--|--|
| <b>Balance at 1 July 2017</b>                                       | <b>4,040.5</b>                   | <b>852.2</b>                     | <b>(203.5)</b>   | <b>4,689.2</b>   |
| Proceeds from borrowings (net of costs)                             | 2,091.8                          | -                                | -  | 2,091.8  |
| Repayment of borrowings   | (1,861.2)                        | -                                | -  | (1,861.2)  |
| Redemption of shareholder loan notes                                | -                                | (30.0)                           | -  | (30.0)   |
| Capitalised premiums and discounts included in operating cash flows | (4.9)                            | -                                | -  | (4.9)  |
| <b>Total cash flows</b>   | <b>225.7</b>                     | <b>(30.0)</b>                    | <b>-</b>   | <b>195.7</b>   |
| <i>Non-cash changes</i>   |                                  |                                  |  |  |
| Foreign exchange movements  | 90.6                             | -                                | (17.1)   | 73.5   |
| Capitalised interest  | 4.2                              | -                                | -  | 4.2  |
| Amortisation of borrowing costs                                     | 8.5                              | -                                | -  | 8.5  |
| <b>Total non-cash changes</b>                                       | <b>103.3</b>                     | <b>-</b>                         | <b>(17.1)</b>  | <b>86.2</b>  |
| <b>Balance at 30 June 2018</b>                                      | <b>4,369.5</b>                   | <b>822.2</b>                     | <b>(220.6)</b>   | <b>4,971.1</b>   |
| Proceeds from borrowings (net of costs)                             | 1,158.2                          | -                                | -  | 1,158.2  |
| Repayment of borrowings   | (635.5)                          | -                                | -  | (635.5)  |
| Redemption of shareholder loan notes                                | -                                | (44.0)                           | -  | (44.0)   |
| <b>Total cash flows</b>   | <b>522.7</b>                     | <b>(44.0)</b>                    | <b>-</b>   | <b>478.7</b>   |
| <i>Non-cash changes</i>   |                                  |                                  |  |  |
| Foreign exchange movements  | 178.7                            | -                                | (88.8)   | 89.9   |
| Capitalised interest  | -                                | -                                | -  | -  |
| Amortisation of borrowing costs                                     | 4.3                              | -                                | -  | 4.3  |
| <b>Total non-cash changes</b>                                       | <b>183.0</b>                     | <b>-</b>                         | <b>(88.8)</b>  | <b>94.2</b>  |
| <b>Balance at 30 June 2019</b>                                      | <b>5,075.2</b>                   | <b>778.2</b>                     | <b>(309.4)</b>   | <b>5,544.0</b>   |

1. Total derivatives balance at 30 June 2019 is a net liability of \$52.7 million (2018: \$143.0 million liability). The difference in carrying value to the table above relates to interest rate swap contracts, the interest portion of cross-currency interest rate swap contracts, and credit valuation and debit valuation adjustments, which are excluded from the balances above.



Section B: Notes to the Group financial statements

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## Basis of preparation and significant changes

### B1 Corporate information

Transurban Queensland Holdings 1 Pty Limited ('the Company', 'the Parent' or 'TQH1') is a company limited by shares and is incorporated and domiciled in Australia. These financial statements have been prepared as a consolidation of the financial statements of TQH1 and its controlled entities ('Transurban Queensland' or 'the Group'). The controlled entities of TQH1 include the other members of the stapled group being Transurban Queensland Holdings 2 Pty Limited and its controlled entities ('TQH2'), and Transurban Queensland Invest Pty Limited as trustee for the Transurban Queensland Invest Trust and its controlled entities ('TQIT'). The equity securities of TQH1, TQH2 and TQIT are stapled and cannot be dealt separately. Entities within the Group are domiciled and incorporated in Australia.

Each of the companies is controlled by the Transurban Group (a stapled Group) listed on the ASX. Transurban Queensland was formed when the Transurban Group established Transurban Queensland Invest Pty Limited, TQIT, TQH1 and TQH2 which then acquired the relevant assets of Queensland Motorways in 2014.

The consolidated financial statements of Transurban Queensland for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 28 August 2019. Directors have the power to amend and reissue the financial report.

### B2 Summary of significant changes in the current reporting period

During the year ended 30 June 2019, several new and amended accounting standards came into effect as detailed in Notes B3 and B26. The Group assessed the impacts of these new and amended accounting standards and concluded that no significant changes in accounting for our assets were required.

### B3 Basis of preparation

The Group financial statements are general purpose financial statements which:

- Have been prepared in accordance with the *Corporations Act 2001*, Australian accounting standards, and other authoritative pronouncements of the Australian Accounting Standards Board;
- Have adopted all accounting policies in accordance with Australian accounting standards, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in these financial statements;
- Do not early adopt any accounting standards or interpretations that have been issued or amended but are not yet effective;
- Comply with International financial reporting standards ('IFRS') as issued by the International Accounting Standards Board ('IASB');
- Have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities;
- Are presented in Australian dollars, which is the Group's functional and presentation currency.
- Have been rounded to the nearest hundred thousand dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191; and
- The presentation of comparative amounts have been restated, where applicable, to conform to the current period presentation.

## B3 Basis of preparation (continued)

### Going concern

The Group's current liabilities exceed its current assets by \$216.9 million as at 30 June 2019. This is primarily driven by expected major maintenance spend and contingent consideration payable in the next 12 months. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- The Group has generated positive cash inflows from operating activities of \$158.9 million (2018: \$156.8 million);
- Subsequent to 30 June 2019, the Group has successfully refinanced its capital expenditure facility, with the value of undrawn facilities increasing to \$500 million. The facility is available to fund the Logan Enhancement Project, contingent consideration, and certain major maintenance and capital project costs.
- The Group has paid a total of \$424.5 million of distributions and shareholder loan note redemptions over the past 12 months; and
- The Group has available a total of \$25 million of undrawn working capital facilities.

### Foreign currency translation

#### 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, except when they are deferred in equity as qualifying cash flow hedges or are qualifying net investment hedges.

### New and amended standards

The Group has adopted the following new or revised accounting standards which became effective for the annual reporting period commencing 1 July 2018. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Reference  | Description   |
|--|---|
| <b>AASB 15</b><br><i>Revenue from Contracts with Customers</i>   | Refer to note B4 Revenue for disclosure of the impact of the new accounting standard.   |
| <b>AASB 9</b><br><i>Financial instruments</i>  | Refer to note B26 Changes in accounting policies for disclosure of the impact of the new accounting standard.   |
| <b>AASB 2016-5</b><br><i>Classification and measurement of share-based payment transactions</i>                        | Amendments made to AASB 2 clarify how to account for cash-settled share-based payments with performance conditions, modifications that change a cash-settled arrangement to an equity-settled arrangement, and equity-settled awards that include a 'net settlement' feature which requires employers to withhold amounts to settle the employee's tax obligations.<br><br>The adoption of this standard did not have a material impact on the Group. |
| <b>AASB 2017-1</b><br><i>Transfer of investment property, annual improvements 2014-2016 cycle and other amendments</i> | Amendment to AASB 128 clarifies that an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method.<br><br>The adoption of this standard did not have a material impact on the Group.   |
| <b>Interpretation 22</b><br><i>Foreign currency transactions and advance currency</i>                                  | The interpretation clarifies how to apply the standard on foreign currency transactions, AASB 121, when an entity pays or receives consideration in advance for foreign currency-denominated contracts.<br><br>The adoption of this interpretation did not have a material impact on the Group.   |



### B3 Basis of preparation (continued)

#### Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for 30 June 2019 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Reference  | Description and Impact on the Group  | Application of the standard | Application by the Group |
|--|--|-----------------------------|--------------------------|
| <b>AASB 16</b><br><i>Leases</i>  | <p>AASB 16 modifies accounting for leases by removing the current distinction between operating and financing leases. The standard requires recognition of an asset and a financial liability for all leases, with exemptions for short term and low value leases. Under the new standard, entities will no longer be required to distinguish between finance leases and operating leases.</p> <p>Operating lease payments are currently required to be expensed. On transition the Group will recognise right of use assets and corresponding liabilities for the principal amount of lease payments, which will then result in amortisation and interest expenses being recognised in the income statement (replacing operating lease expenses). Further, in the statement of cash flows, the principal component of lease payments will be reclassified from operating to financing.</p> <p>The standard will primarily affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$19.1 million (see note B20).</p> <p>The group expects to recognise right-of-use assets of approximately \$3.3 million on 1 July 2019, lease liabilities of \$3.4 million (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and deferred tax assets of \$nil. Overall net assets will be approximately \$0.1 million lower, and net current assets will be \$1.5 million lower due to the presentation of a portion of the liability as a current liability.</p> <p>The group expects that there will be no impact on net profit for the year ending 30 June 2020 as a result of adopting the new rules.</p> <p>Operating cash flows will increase and financing cash flows decrease by approximately \$1.5 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.</p> | 1 January 2019              | 1 July 2019              |
| <b>Interpretation 23</b><br><i>Uncertainty over income tax treatment</i> | <p>The interpretation clarifies how to apply the standard on income taxes, AASB 112, when an entity has to consider, recognise and measure the accounting impact of tax uncertainties.</p> <p>Management has undertaken an assessment of the impact of this interpretation and does not believe that the impact will be material based on the Group's tax positions at 30 June 2019.</p>   | 1 January 2019              | 1 July 2019              |

### B3 Basis of preparation (continued)

#### Accounting standards and interpretations issued but not yet effective (continued)

| Reference   | Description and Impact on the Group   | Application of the standard | Application by the Group |
|---|---|-----------------------------|--------------------------|
| <b>AASB 2018-1</b><br><i>Annual Improvements 2015-2017 cycle</i>                                      | <p>Amendments made to the following accounting standards as part of the Annual Improvements 2015-2017 Cycle:</p> <ul style="list-style-type: none"> <li>• AASB 3 <i>Business Combinations</i> and AASB 11 <i>Joint Arrangements</i> to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business;</li> <li>• AASB 112 <i>Income Taxes</i> to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits;</li> <li>• AASB 123 <i>Borrowing Costs</i> to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale.</li> </ul> <p>Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.</p> | 1 January 2019              | 1 July 2019              |
| <b>AASB 2018-6</b><br><i>Amendments to Australian Accounting Standards – Definition of a Business</i> | <p>Amendments to AASB 3 revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be a business without outputs, there will need to be an organised workforce.</p> <p>The changes to the definition of a business will likely result in more acquisitions being accounted for as an asset acquisition.</p> <p>Application of the new standard is prospective for acquisitions following the application date by the Group. The changes to the standard are not expected to materially impact the Group.</p>  | 1 January 2020              | 1 July 2020              |
| <b>AASB 2018-7</b><br><i>Amendments to Australian Accounting Standards – Materiality</i>              | <p>Amendments are primarily to AASB 101 and AASB 108 to refine the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications.</p> <p>Application of the definition is not expected to significantly impact the Group.</p>  | 1 January 2020              | 1 July 2020              |



### B3 Basis of preparation (continued)

#### Accounting standards and interpretations issued but not yet effective (continued)

| Reference   | Description and Impact on the Group  | Application of the standard | Application by the Group |
|---|--|-----------------------------|--------------------------|
| <i>Conceptual Framework for Financial Reporting</i> | <p>The International Accounting Standards Board (IASB) has issued the revised Conceptual Framework for Financial Reporting. The primary purpose of the Framework is to assist the IASB (and the Interpretations Committee) in identifying concepts that it will use when setting accounting standards.</p> <p>Amendments were made to apply new definition and recognition criteria for assets, liabilities, income and expenses, and other relevant financial reporting concepts. The revised Framework will be used in future standard-setting decisions but no changes have been made to existing International Financial Reporting Standards.</p> <p>A formal assessment is yet to be completed on the impact of the revised Framework on the Group however management does not believe there will be a significant impact given there is no change to existing International Financial Reporting Standards. A detailed formal assessment will be performed closer to the application of the standard.</p> | 1 January 2020              | 1 July 2020              |

#### Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by management and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are found in the following notes:

- |   |          |
|---|----------|
| • Income taxes  | Note B5  |
| • Fair value of derivatives and other financial instruments           | Note B11 |
| • Estimated impairment of intangible assets and cash generating units | Note B12 |
| • Construction risk of assets under construction                      | Note B13 |
| • Provision for maintenance expenditure                               | Note B14 |
| • Provision for contingent consideration                              | Note B19 |



## Operating performance

### B4 Revenue

|                      | 2019<br>\$M  | 2018<br>\$M  |
|----------------------|--------------|--------------|
| Toll revenue         | 643.0        | 628.5        |
| Construction revenue | 213.3        | 196.3        |
| Other revenue        | 10.2         | 3.6          |
| <b>Total revenue</b> | <b>866.5</b> | <b>828.4</b> |

The Group adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 on a fully retrospective basis. AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 supersedes a number of current revenue standards, including AASB 118 Revenue, AASB 111 Construction Contracts and associated Interpretations.

The Group's principal revenue generating activities, being service concession arrangements, are accounted for in accordance with AASB Interpretation 12 Service Concession Arrangements (IFRIC 12), which specifies that the construction services and operation or maintenance services provided under the Group's service concession arrangements are two distinct types of services.

The Group concluded that there is no material change to the presentation, recognition and measurement of revenue as a result of the transition to AASB 15 and consequently, the information presented for the prior comparative period has not been restated.

#### Service concession arrangements – intangible asset model

The Group's service concession arrangements fall under the intangible asset model. Revenue recognition principles for these revenue streams are discussed below.

| Revenue type                | Recognition  |
|-----------------------------|--|
| <i>Toll revenue</i>         | <p>The customer with respect to the operation or maintenance services is the user of the infrastructure and, therefore, each use made of the toll road by users is considered a performance obligation, and the related revenue is recognised at the point in time that the individual service is provided.</p> <p>Revenue is recognised when the charge is incurred by the user and the amount is determined to be recoverable by the Group. Total toll revenue is net of any revenue share arrangements that the Group has triggered during the reporting period.</p>  |
| <i>Construction revenue</i> | <p>The customer with respect to the construction services is the concession grantor. The revenue for the construction of service concession infrastructure assets will be accounted for as one performance obligation. The revenue will be recognised in line with the progress of construction services provided over time, which is measured at fair value, determined by reference to the stand-alone selling price.</p> <p>Revenue for the construction of service concession infrastructure assets is recognised in accordance with the percentage of completion method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each project.</p> |

#### Other revenue

Other revenue includes management fee revenue, roaming fees and advertising revenue, and is recognised at the point in time the service is provided.

## B5 Income tax

### Income tax expense/(benefit)

|   | 2019<br>\$M   | 2018<br>\$M   |
|---|---------------|---------------|
| Current tax   | 2.3           | (36.5)        |
| Deferred tax  | (4.6)         | 18.2          |
| (Over)/under provision in prior years   | (53.0)        | (1.4)         |
|   | <u>(55.3)</u> | <u>(19.7)</u> |
| Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises: |               |               |
| Decrease/(increase) in deferred tax assets  | 9.6           | 19.8          |
| (Decrease)/increase in deferred tax liabilities   | (14.2)        | (1.6)         |
|   | <u>(4.6)</u>  | <u>18.2</u>   |

### Reconciliation of income tax expense/(benefit) to prima facie tax payable

|  | 2019<br>\$M   | 2018<br>\$M   |
|--|---------------|---------------|
| Profit/(loss) before income tax expense/(benefit)  | (68.7)        | (90.5)        |
| Tax at the Australian tax rate of 30.0% (2018: 30.0%)  | (20.6)        | (27.2)        |
| <b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b> |               |               |
| Trust income not subject to tax  | 7.8           | 8.2           |
| Sundry items   | 5.9           | 0.7           |
| Non-deductible expenses  | 4.6           | -             |
| (Over)/under provision in prior years  | (53.0)        | (1.4)         |
| <b>Income tax expense/(benefit)</b>  | <u>(55.3)</u> | <u>(19.7)</u> |
| <b>Tax expense/(income) relating to items of other comprehensive income</b>                    |               |               |
| Cash flow hedges   | (26.2)        | (35.0)        |
|  | <u>(26.2)</u> | <u>(35.0)</u> |

### (Over)/under provision in prior years

Included in the (over)/under provision for the year ended 30 June 2019 is a \$63.6 million adjustment to the tax base for the Legacy Way concession asset following confirmation in the period of the availability of certain deductions that existed at the acquisition date of Transurban Queensland in 2014. This was partially offset by an adjustment to prior year tax losses of \$12.5 million relating to non-deductible expenses.

### Deferred tax assets and liabilities

|  | Assets       |              | Liabilities    |                |
|--|--------------|--------------|----------------|----------------|
|  | 2019<br>\$M  | 2018<br>\$M  | 2019<br>\$M    | 2018<br>\$M    |
| <b>The balance comprises temporary differences attributable to:</b>                |              |              |                |                |
| Provisions   | 232.8        | 215.4        | -              | -              |
| Current and prior year losses  | 121.0        | 124.0        | -              | -              |
| Fixed assets/intangibles   | 553.2        | 519.2        | (161.8)        | (177.4)        |
| Accrued expenses   | -            | 2.7          | -              | -              |
| Derivatives and foreign exchange   | 92.8         | 66.6         | -              | -              |
| <b>Tax assets/(liabilities)</b>  | <u>999.8</u> | <u>927.9</u> | <u>(161.8)</u> | <u>(177.4)</u> |
| Set-off of tax   | (161.8)      | (177.4)      | 161.8          | 177.4          |
| <b>Net tax assets/(liabilities)</b>  | <u>838.0</u> | <u>750.5</u> | <u>-</u>       | <u>-</u>       |
| <b>Movements:</b>  |              |              |                |                |
| <b>Closing balance at 30 June</b>  | <u>927.9</u> | <u>876.2</u> | <u>(177.4)</u> | <u>(179.0)</u> |
| Change in accounting policy (see note B26)   | 5.5          | -            | -              | -              |
| <b>Opening balance at 1 July</b>   | <u>933.4</u> | <u>876.2</u> | <u>(177.4)</u> | <u>(179.0)</u> |
| Credited to the statement of comprehensive income                                  | (9.6)        | (19.8)       | 14.2           | 1.6            |
| Credited/(charged) to equity   | 26.2         | 35.0         | -              | -              |
| Current year losses recognised   | (1.8)        | 36.5         | -              | -              |
| Other  | 51.6         | -            | 1.4            | -              |
| <b>Closing balance at 30 June</b>  | <u>999.8</u> | <u>927.9</u> | <u>(161.8)</u> | <u>(177.4)</u> |
| <b>Deferred tax assets/(liabilities) to be recovered after more than 12 months</b> | <u>999.8</u> | <u>927.9</u> | <u>(161.8)</u> | <u>(177.4)</u> |



## B5 Income tax (continued)

### Accounting policy

The income tax expense/benefit for the period is the tax payable or benefit on the current period's taxable income based on the Australian income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Transurban Queensland operates as a stapled group comprising two corporate entities, TQH1 and TQH2 and a trust, TQIT. TQIT operates as a flow through trust, and is not liable to pay tax itself. Instead, shareholders are subject to tax on the distributions they receive from TQIT at their individual marginal tax rates. The Group is structured in this way because the initial heavy capital investment and associated debt funding required for infrastructure investments results in accounting losses being generated in the initial years which would otherwise prevent a company from paying dividends. The trust enables distributions to be made to security holders throughout the life of the asset.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the 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 reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

### Tax consolidation legislation

Transurban Queensland has adopted the Australian tax consolidation legislation for TQH1 and its wholly-owned Australian entities from 2 July 2014.

All entities within the TQH1 tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation group is a separate taxpayer within the tax consolidated group.

The TQH1 tax consolidated group is summarised as follows:





## B5 Income tax (continued)

### TQH1 tax consolidated group

The entities in the TQH1 tax consolidated group entered into a tax sharing agreement ('TSA') effective from 2 July 2014. The entities in the TQH1 tax consolidated group have also entered into a tax funding agreement ('TFA') effective from 2 July 2014. APL Hold Co Pty Ltd ('AirportlinkM7') and its controlled entities entered the TQH1 tax consolidated group effective from 23 November 2015.

Under the TFA the wholly-owned entities fully compensate TQH1 for any current tax payable assumed and are compensated by TQH1 for any current tax receivable and deferred tax assets relating to tax losses. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amount receivable/payable under the TFA is calculated at the end of the financial year for each wholly-owned entity. TQH1 determines and communicates the amount payable/receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

### Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

#### Key estimate

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. However, the utilisation of tax losses also depends on the ability of the Group to satisfy certain tests at the time the losses are recouped. Management has reviewed the potential future taxable profits and has recognised deferred tax assets in relation to tax losses.

## B6 Working capital

The Group's working capital balances are summarised as follows:

|                             | 2019<br>\$M   | 2018<br>\$M    |
|-----------------------------|---------------|----------------|
| <b>Current assets</b>       |               |                |
| Cash and cash equivalents   | 92.1          | 87.1           |
|                             | <b>92.1</b>   | <b>87.1</b>    |
| Trade receivables           | 15.8          | 21.0           |
| Other receivables           | 16.8          | 10.8           |
|                             | <b>32.6</b>   | <b>31.8</b>    |
|                             | <b>124.7</b>  | <b>118.9</b>   |
| <b>Current liabilities</b>  |               |                |
| Trade payables and accruals | (78.1)        | (101.1)        |
|                             | <b>(78.1)</b> | <b>(101.1)</b> |
| <b>Net working capital</b>  | <b>46.6</b>   | <b>17.8</b>    |



## B6 Working capital (continued)

### Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. All cash balances are interest bearing.

The amount shown in cash and cash equivalents includes \$8.8 million not available for general use at 30 June 2019 (2018: \$15.0 million).

### Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Trade receivables are due for settlement no more than 30 days from revenue recognition.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of toll revenue over historical periods and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Australia to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for trade receivables:

| 2019<br>\$M           | Current | Up to 90 days<br>past due | More than 90<br>days past due | Total            |
|-----------------------|---------|---------------------------|-------------------------------|------------------|
| Expected loss rate    | 1%      | 13%                       | 100%                          | N/A <sup>1</sup> |
| Gross carrying amount | 13.3    | 3.0                       | 8.8                           | 25.1             |
| Loss allowance        | (0.1)   | (0.4)                     | (8.8)                         | (9.3)            |

<sup>1</sup> N/A – Not applicable

| 1 July 2018<br>\$M    | Current | Up to 90 days<br>past due | More than 90<br>days past due | Total            |
|-----------------------|---------|---------------------------|-------------------------------|------------------|
| Expected loss rate    | -       | 14%                       | 95%                           | N/A <sup>1</sup> |
| Gross carrying amount | 17.9    | 3.4                       | 11.2                          | 32.5             |
| Loss allowance        | (0.1)   | (0.5)                     | (10.9)                        | (11.5)           |

<sup>1</sup> N/A – Not applicable

The closing loss allowances for trade receivables as at 30 June 2019 reconciles to the opening loss allowance as follows:

|  | \$M   |
|--|-------|
| 30 June 2018 – calculated under AASB 139                                   | 2.4   |
| Amounts restated through opening retained earnings upon adoption of AASB 9 | 9.1   |
| Opening loss allowance at 1 July 2018 – calculated under AASB 9            | 11.5  |
| Increase in loss allowance recognised in profit or loss during the year    | 0.9   |
| Receivables written off during the year as uncollectible                   | (3.1) |
| Unused amount reversed   | -     |
| 30 June 2019 – calculated under AASB 9                                     | 9.3   |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for an extended period.

## B6 Working capital (continued)

### *Previous impairment accounting policy under AASB 139*

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be unrecoverable are written off by reducing the carrying amount of trade debtors directly. An allowance for impairment is used when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance for impairment is the difference between the carrying amount and the amount expected to be recoverable. The additional amount of the allowance for doubtful debtors is recognised in profit or loss.

As at 30 June 2018, the Group held an allowance for doubtful debtors of \$2.4 million for current trade receivables that were considered potentially unrecoverable. As at 30 June 2018, trade receivables of \$14.6 million were overdue but the Group still believed that these overdue amounts would be received in full.

### **Other financial assets at amortised cost**

Other financial assets at amortised cost include other receivables recorded within trade and other receivables. Applying the expected credit risk model resulted in the recognition of a loss allowance of \$9.2 million on 1 July 2018 (loss allowance under AASB 139 at 30 June 2018 was \$nil). There have been no movements impacting the loss allowance in the year ending 30 June 2019.

With the exception of a concentration of other receivables recorded at amortised cost, the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses and was immaterial. Management consider 'other receivables' to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The subset of financial assets with specific credit risk characteristics have a loss allowance recorded equivalent to the gross carrying amount of \$9.2 million.

## B7 Other liabilities

|  | 2019<br>\$M | 2018<br>\$M |
|--|-------------|-------------|
| <i>Current</i>                             |             |             |
| Prepaid tolls                              | 54.1        | 47.6        |
| Other liabilities                          | 0.2         | 2.1         |
| <b>Total other current liabilities</b>     | <b>54.3</b> | <b>49.7</b> |
| <i>Non-current</i>                         |             |             |
| Other liabilities                          | 1.4         | 1.6         |
| <b>Total other non-current liabilities</b> | <b>1.4</b>  | <b>1.6</b>  |
| <b>Total other liabilities</b>             | <b>55.7</b> | <b>51.3</b> |

### **Prepaid tolls**

Prepaid tolls represent amounts received from customers and held on deposit until the charge is incurred by the user.



## Security holder outcomes

### B8 Dividends/distributions

#### Dividends/distributions paid by the Group

|  | Paid in      |              |            | Date paid/<br>Payable |
|--|--------------|--------------|------------|-----------------------|
|  | Total<br>\$M | cash<br>\$M  | Cents      |                       |
| <b>2018</b>                            |              |              |            |                       |
| <b>Quarter ended 30 September 2017</b> |              |              |            |                       |
| Distribution – TQIT                    | 39.5         | 39.5         | 0.9        |                       |
|  | 39.5         | 39.5         | 0.9        | 30 September 2017     |
| <b>Quarter ended 31 December 2017</b>  |              |              |            |                       |
| Distribution – TQIT                    | 47.5         | 47.5         | 1.0        |                       |
|  | 47.5         | 47.5         | 1.0        | 31 December 2017      |
| <b>Quarter ended 31 March 2018</b>     |              |              |            |                       |
| Distribution – TQIT                    | 34.5         | 34.5         | 0.8        |                       |
|  | 34.5         | 34.5         | 0.8        | 31 March 2018         |
| <b>Quarter ended 30 June 2018</b>      |              |              |            |                       |
| Distribution – TQIT                    | 46.0         | 46.0         | 1.0        |                       |
|  | 46.0         | 46.0         | 1.0        | 30 June 2018          |
| <b>Total paid FY18</b>                 | <b>167.5</b> | <b>167.5</b> | <b>3.7</b> |                       |
| <b>2019</b>                            |              |              |            |                       |
| <b>Quarter ended 30 September 2018</b> |              |              |            |                       |
| Distribution – TQIT                    | 37.5         | 37.5         | 0.8        |                       |
|  | 37.5         | 37.5         | 0.8        | 30 September 2018     |
| <b>Quarter ended 31 December 2018</b>  |              |              |            |                       |
| Distribution – TQIT                    | 47.0         | 47.0         | 1.0        |                       |
|  | 47.0         | 47.0         | 1.0        | 31 December 2018      |
| <b>Quarter ended 31 March 2019</b>     |              |              |            |                       |
| Distribution – TQIT                    | 36.0         | 36.0         | 0.8        |                       |
|  | 36.0         | 36.0         | 0.8        | 31 March 2019         |
| <b>Quarter ended 30 June 2019</b>      |              |              |            |                       |
| Distribution – TQIT                    | 230.0        | 230.0        | 5.1        | 15 May 2019           |
| Distribution – TQIT                    | 30.0         | 30.0         | 0.7        | 30 June 2019          |
|  | 260.0        | 260.0        | 5.8        |                       |
| <b>Total paid FY19</b>                 | <b>380.5</b> | <b>380.5</b> | <b>8.4</b> |                       |

#### Distribution policy

The Group's dividends/distribution policy is to align dividends/distributions with actual available cash from operations after the servicing of external debt interest. For this purpose, dividends/distributions includes the redemption of shareholder loan note principal (see Note B22).

## Capital and borrowings

### B9 Net finance costs

|  | 2019<br>\$M    | 2018<br>\$M    |
|--|----------------|----------------|
| <i>Finance income</i>                      |                |                |
| Interest income on bank deposits           | 2.5            | 1.8            |
| <b>Total finance income</b>                | <b>2.5</b>     | <b>1.8</b>     |
| <i>Finance costs</i>                       |                |                |
| Interest and finance charges paid/payable  | (210.0)        | (205.4)        |
| Related party interest and finance charges | (65.3)         | (65.3)         |
| Unwind of discount on liabilities          | (33.9)         | (41.1)         |
| <b>Total finance costs</b>                 | <b>(309.2)</b> | <b>(311.8)</b> |
| <b>Net finance costs</b>                   | <b>(306.7)</b> | <b>(310.0)</b> |

An additional \$9.4 million (2018: \$4.2 million) of financing costs have been capitalised and included in the carrying value of assets under construction.

### B10 Borrowings

|                                     | 2019<br>\$M    | 2018<br>\$M    |
|-------------------------------------|----------------|----------------|
| <i>Non-current</i>                  |                |                |
| Capital markets debt                | 2,203.7        | 2,109.1        |
| U.S. private placement              | 2,692.3        | 1,733.1        |
| Term debt                           | 200.0          | 545.7          |
| Net capitalised borrowing costs     | (20.8)         | (18.4)         |
| <b>Total non-current borrowings</b> | <b>5,075.2</b> | <b>4,369.5</b> |
| <b>Total borrowings</b>             | <b>5,075.2</b> | <b>4,369.5</b> |

### Accounting policy

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 are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 finance 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 period.

Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent to which they relate to the construction of qualifying assets in which case specifically identifiable borrowing costs are capitalised into the cost of the asset. Borrowing costs include interest on short-term and long-term borrowings.

Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the effective period of the funding.



## B10 Borrowings (continued)

### Financing arrangements and credit facilities

During the reporting period the Group executed a number of financing activities including:

#### May 2019

Transurban Queensland raised \$875 million of senior secured notes in the US private placement market, consisting of US\$144 million and \$30million of 10-year notes, US\$245 million of 12-year notes and US\$180 million and \$40 million of 15-year notes.

Credit facilities are provided as part of the overall debt funding structure of the Group. The drawn component of each facility is shown below:

| Non-recourse debt  | Maturity | Carrying value |                |
|--|----------|----------------|----------------|
|  |          | 2019<br>\$M    | 2018<br>\$M    |
| <b>Working capital facilities</b>                                  |          |                |                |
| AUD 25 million facility <sup>2</sup>                               | Dec 2019 | -              | -              |
| <b>Capital markets debt</b>  |          |                |                |
| Domestic bond AUD 250m   | Dec 2021 | 250.0          | 250.0          |
| EMTN CHF 200m  | Jun 2023 | 292.5          | 272.2          |
| Domestic bond AUD 200m   | Oct 2023 | 200.0          | 200.0          |
| Domestic bond AUD 200m   | Dec 2024 | 200.0          | 200.0          |
| EMTN CHF 175m  | Nov 2026 | 255.9          | 238.2          |
| EMTN CHF 200m  | Dec 2025 | 292.5          | 272.2          |
| EMTN Reg S USD 500m  | Apr 2028 | 712.8          | 676.5          |
| <b>U.S. Private Placement</b>                                      |          |                |                |
| Sep 2015 - Tranche A USD 155m                                      | Sep 2025 | 221.0          | 209.7          |
| Dec 2016 - Tranche A USD 130m                                      | Dec 2026 | 185.3          | 175.9          |
| Dec 2016 - Tranche D AUD 35m                                       | Dec 2026 | 35.0           | 35.0           |
| Sep 2015 - Tranche B USD 230m                                      | Sep 2027 | 327.9          | 311.2          |
| Dec 2016 - Tranche B USD 225m                                      | Dec 2028 | 320.8          | 304.4          |
| Sep 2015 - Tranche C USD 256m                                      | Sep 2030 | 365.0          | 346.4          |
| Sep 2015 - Tranche D AUD 70m                                       | Sep 2030 | 70.0           | 70.0           |
| Dec 2016 - Tranche C USD 78m                                       | Dec 2031 | 111.1          | 105.5          |
| Dec 2016 - Tranche E AUD 75m                                       | Dec 2031 | 75.0           | 75.0           |
| Dec 2016 - Tranche F AUD 100m                                      | Jan 2035 | 100.0          | 100.0          |
| May 2019 – Tranche A USD 144m                                      | May 2029 | 30.0           | -              |
| May 2019 – Tranche B USD 245m                                      | May 2031 | 40.0           | -              |
| May 2019 – Tranche C USD 180m                                      | May 2034 | 205.3          | -              |
| May 2019 – Tranche D AUD 30m                                       | May 2029 | 349.3          | -              |
| May 2019 – Tranche E AUD 40m                                       | May 2034 | 256.6          | -              |
| <b>Term debt</b>   |          |                |                |
| Term Debt AUD 960m <sup>1</sup>                                    | Oct 2019 | -              | 42.5           |
| Capex facility AUD 227m <sup>2</sup>                               | Dec 2019 | -              | 303.2          |
| Term Debt AUD 200m   | Apr 2030 | 200.0          | 200.0          |
| Net capitalised borrowing costs                                    |          | (20.8)         | (18.4)         |
| <b>Total non-recourse debt, net of capitalised borrowing costs</b> |          | <b>5,075.2</b> | <b>4,369.5</b> |

1. These facilities were repaid/refinanced during FY19.

2. These facilities have been refinanced subsequent to 30 June 2019. See note B21 for details.

## B10 Borrowings (continued)

### Financing arrangements and credit facilities (continued)

#### Working capital facilities

- The Transurban Queensland Finance working capital facility is secured against the respective rights of TQH1, TQH2, TQIT and their assets. At 30 June 2019 the facility was undrawn.

#### Capital markets debt

- The Transurban Queensland Finance domestic bonds are secured against the respective rights of TQH1, TQH2, TQIT and their assets; and
- A Transurban Queensland Finance Euro Medium Term Note (EMTN) program was established in March 2016 with a program limit of USD\$2.0 billion. Under the program, Transurban Queensland Finance may from time to time issue notes denominated in any currency. These notes are secured against the respective rights of TQH1, TQH2, TQIT and their assets.

#### U.S. private placement

- The Transurban Queensland Finance U.S private placement facilities are secured against the respective rights of TQH1, TQH2, TQIT and their assets.

#### Term debt

- The Transurban Queensland Finance facilities are secured against the respective rights of TQH1, TQH2, TQIT and their assets.

#### Covenants

A number of the Group's consolidated borrowings include covenants, as listed below. There have been no breaches of any of these covenants during the year.

#### Non-Recourse Debt

| Covenant  | Threshold               |
|---|-------------------------|
| Transurban Queensland Finance Interest Coverage Ratio | Greater than 1.20 times |



## B11 Derivatives and financial risk management

### Derivatives

|  | 2019<br>\$M |             | 2018<br>\$M |             |
|--|-------------|-------------|-------------|-------------|
|  | Current     | Non-current | Current     | Non-current |
| <b>Assets</b>  |             |             |             |             |
| Interest rate swap contracts – cash flow hedges                | -           | -           | -           | -           |
| Cross-currency interest rate swap contracts – cash flow hedges | -           | 56.2        | -           | 13.8        |
| <b>Total derivative financial instrument assets</b>            | -           | 56.2        | -           | 13.8        |
| <b>Liabilities</b>   |             |             |             |             |
| Interest rate swap contracts – cash flow hedges                | -           | 50.3        | -           | 12.9        |
| Cross-currency interest rate swap contracts – cash flow hedges | -           | 58.6        | -           | 143.9       |
| <b>Total derivative financial instrument liabilities</b>       | -           | 108.9       | -           | 156.8       |

### Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. When forward contracts are used to hedge forecast transactions, the Group generally designates the entire fair value of the forward contract as the hedging instrument.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in this note. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

#### Derivatives that do not qualify for hedge accounting

Certain derivative instruments 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.

### Hedging strategy and instruments used by the Group

The Group uses derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. The Group's policies allow derivative transactions to be undertaken for the purpose of reducing risk and do not permit speculative trading. The instruments used by the Group are as follows:



## B11 Derivatives and financial risk management (continued)

### Hedging strategy and instruments used by the Group (continued)

#### Interest rate swap contracts – cash flow hedges

The Group uses interest rate swap contracts to manage the Group's exposure to variable interest rates related to borrowings. Interest rate swap contracts currently in place cover 100% (2018: 54%) of the variable debt held by the Group (excluding working capital facilities).

#### Cross-currency interest rate contracts – cash flow hedges

The Group has entered into cross-currency interest rate swap contracts to remove the risk of unfavourable exchange rate movements on borrowings held in foreign currencies. Under these contracts, the Group receives foreign currency at fixed rates and pays AUD at either fixed or floating rates. The Group then uses the interest rate swap contracts to hedge the floating interest rate commitments back to fixed interest rates.

#### Offsetting financial assets and financial liabilities

Currently there is no right or basis to present any financial assets or financial liabilities on a net basis, and as such no financial assets or financial liabilities have been presented on a net basis in the Group's balance sheet at the end of the financial year.

### Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally under the policies approved by the Board. The Group reviews operations actively to identify and monitor all financial risks and to mitigate these risks through the use of hedging instruments where appropriate. The Board is informed on a regular basis of any material exposures to financial risks.

The Group continuously monitors risk exposures over time through review of cash flows, price movements, market analysis and ongoing communication within the Group. When measuring financial risk, the Group considers positive and negative exposures, existing hedges and the ability to offset exposures where possible.

### Market risk

#### Foreign exchange risk

The Group is exposed to foreign exchange risk when future transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency exposures are viewed as operating exposures. All known material operating exposures out to 12 months are hedged, either using hedging instruments, or are offset by drawing on foreign currency funds.

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

|  | 2019<br>\$M |
|--|-------------|
| <b>Cross-currency interest rate swaps</b>                                  |             |
| Carrying amount  | (2.4)       |
| Notional amount  | 3,640.0     |
| Hedge ratio  | 1:1         |
| Change in discounted value of outstanding hedging instruments since 1 July | (2.4)       |
| Change in value of hedged item used to determine hedge effectiveness       | 3.8         |

Exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises, was as follows:

|                                    | 2019<br>\$M |         | 2018<br>\$M |         |
|------------------------------------|-------------|---------|-------------|---------|
|                                    | USD         | CHF     | USD         | CHF     |
| Borrowings                         | 2,143.0     | 575.0   | 1,574.0     | 575.0   |
| Cross-currency interest rate swaps | (2,143.0)   | (575.0) | (1,574.0)   | (575.0) |
| <b>Net exposure</b>                | -           | -       | -           | -       |

## B11 Derivatives and financial risk management (continued)

### Market risk (continued)

#### Foreign exchange risk - sensitivity

Sensitivity to exchange rate movements based on the translation of financial instruments held at the end of the period is as follows:

|            | 2019<br>\$M                 |                                 | 2018<br>\$M                 |                                 |
|------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
|            | Movement in post-tax profit | Increase / (decrease) in equity | Movement in post-tax profit | Increase / (decrease) in equity |
| AUD/USD    |                             |                                 |                             |                                 |
| + 10 cents | -                           | (53.4)                          | -                           | (20.8)                          |
| - 10 cents | -                           | 71.2                            | -                           | 27.8                            |
| AUD/CHF    |                             |                                 |                             |                                 |
| + 10 cents | -                           | 7.6                             | -                           | (18.5)                          |
| - 10 cents | -                           | 10.2                            | -                           | 31.7                            |

The Group revalues its foreign currency denominated borrowings each period using market spot rates and, where these borrowings have been appropriately hedged, defers these movements in the cash flow hedge reserve in equity. The volatility in the cash flow hedge reserve is caused mainly by fair value movements of the cross currency interest rate swaps, which are affected by changes in forward Australian dollar/foreign currency exchange rates.

#### Interest rate risk

The Group's main exposure to interest rate risk arises from cash and cash equivalents, and long-term borrowings. The Group manages interest rate risk by entering into fixed rate debt facilities or by using interest rate swaps to convert floating rate debt to fixed interest rates. Generally, the Group raises long term borrowings at floating interest rates and swaps them into fixed interest rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100%. Covenant requirements vary by debt facility, and require a minimum of between 75% of the interest rate exposure to be hedged. At 30 June 2019, 100% (2018: 90%) of the Group's interest rate exposure on borrowings was hedged.

The effects of the interest rate related hedging instruments on the Group's financial position and performance are as follows:

|  | 2019<br>\$M |
|--|-------------|
| <b>Interest rate swaps</b>   |             |
| Carrying amount  | (50.3)      |
| Notional amount  | 440.0       |
| Hedge ratio  | 1:1         |
| Change in discounted value of outstanding hedging instruments since 1 July | (50.3)      |
| Change in value of hedged item used to determine hedge effectiveness       | 52.8        |

As at the reporting date, the Group had the following cash balances, variable rate borrowings and interest rate swap contracts outstanding:

|   | 2019<br>\$M | 2018<br>\$M    |
|---|-------------|----------------|
| Cash and cash equivalents                       | 92.1        | 87.1           |
| Floating rate borrowings                        | (440.0)     | (745.7)        |
| Interest rate swaps (notional principal amount) | 440.0       | 400.0          |
| <b>Net exposure to interest rate risk</b>       | <b>92.1</b> | <b>(258.6)</b> |



## B11 Derivatives and financial risk management (continued)

### Market risk (continued)

#### Interest rate risk - sensitivity

Sensitivity to interest rate movements based on variable rate obligations is as follows:

|                        | Movement in post-tax profit |             |
|------------------------|-----------------------------|-------------|
|                        | 2019<br>\$M                 | 2018<br>\$M |
| Interest rates +100bps | 0.9                         | (1.8)       |
| Interest rates -100bps | (0.9)                       | 1.8         |

### Credit risk

The Group has no significant concentrations of credit risk from operating activities, and has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history. However, as an operator of large infrastructure assets, the Group is exposed to credit risk with its financial counterparties through entering into financial transactions through the ordinary course of business. These include funds held on deposit, cash investments and the market value of derivative transactions.

The Group assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. The Board approved policies ensure that higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy counterparties, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

### Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. The Group assesses liquidity over the short term (up to 12 months) and medium term (one to five years) by maintaining accurate forecasts of operating expenses, committed capital expenditure and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

Short term liquidity is managed by maintaining a strategic liquidity reserve. This reserve is based on the Group's forecast annual operating costs and certain risk exposure scenarios as maintained by the Group's strategic risk register, and is maintained as cash and undrawn facilities. The reserve is maintained on a rolling 12 month basis. Medium term liquidity forecasting is maintained on a rolling five year horizon.

#### Financing arrangements

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

|                          | 2019<br>\$M  | 2018<br>\$M  |
|--------------------------|--------------|--------------|
| <b>Floating rate</b>     |              |              |
| Expiring within one year | 252.0        | -            |
| Expiring beyond one year | -            | 541.8        |
|                          | <b>252.0</b> | <b>541.8</b> |



## B11 Derivatives and financial risk management (continued)

### Liquidity risk (continued)

#### Contractual maturities of financial liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

| 2019<br>\$M                       | 1 year<br>or less | Over<br>1 to 2<br>years | Over<br>2 to 3<br>years | Over<br>3 to 4<br>years | Over<br>4 to 5<br>years | Over 5<br>years | Total<br>contractual<br>cash flows | Carrying<br>amount |
|-----------------------------------|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------|------------------------------------|--------------------|
| Trade payables                    | 78.1              | -                       | -                       | -                       | -                       | -               | 78.1                               | 78.1               |
| Borrowings                        | 146.6             | 182.8                   | 439.2                   | 470.9                   | 372.4                   | 5,217.6         | 6,829.5                            | 5075.2             |
| Interest rate swaps <sup>1</sup>  | 8.3               | 9.3                     | 8.8                     | 8.3                     | 7.4                     | 13.6            | 55.7                               | 50.3               |
| Cross-currency swaps <sup>1</sup> | 43.8              | 43.2                    | 43.2                    | 43.2                    | 32.9                    | 100.9           | 307.2                              | 2.4                |
| Shareholder loans                 | 65.4              | 65.3                    | 65.3                    | 65.3                    | 65.4                    | 2,677.2         | 3,003.9                            | 778.2              |
| <b>Total</b>                      | <b>342.2</b>      | <b>300.6</b>            | <b>556.5</b>            | <b>587.7</b>            | <b>478.1</b>            | <b>8,009.3</b>  | <b>10,274.4</b>                    | <b>5,984.2</b>     |

1. The carrying value of the interest rate and cross-currency swaps have been presented on a net basis. The gross position is disclosed in the first table of note B11.

| 2018<br>\$M          | 1 year<br>or less | Over<br>1 to 2<br>years | Over<br>2 to 3<br>years | Over<br>3 to 4<br>years | Over<br>4 to 5<br>years | Over 5<br>years | Total<br>contractual<br>cash flows | Carrying<br>amount |
|----------------------|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------|------------------------------------|--------------------|
| Trade payables       | 101.1             | -                       | -                       | -                       | -                       | -               | 101.1                              | 101.1              |
| Borrowings           | 121.3             | 494.6                   | 143.1                   | 388.1                   | 449.8                   | 4,328.5         | 5,925.4                            | 4,369.5            |
| Interest rate swaps  | 4.4               | 4.1                     | 3.4                     | 2.5                     | 1.6                     | (2.7)           | 13.3                               | 12.9               |
| Cross-currency swaps | 48.4              | 48.5                    | 48.2                    | 48.2                    | 9.7                     | (99.6)          | 103.4                              | 130.1              |
| Shareholder loans    | 65.3              | 65.4                    | 65.3                    | 65.3                    | 65.3                    | 2,786.7         | 3,113.3                            | 822.2              |
| <b>Total</b>         | <b>340.5</b>      | <b>612.6</b>            | <b>260.0</b>            | <b>504.1</b>            | <b>526.4</b>            | <b>7,012.9</b>  | <b>9,256.5</b>                     | <b>5,435.8</b>     |

### Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital, so that it can continue to provide returns to security holders and benefits for other stakeholders.

### Fair value measurements

The carrying value of the Group's financial assets and liabilities approximate fair value. This is also generally the case with borrowings since either the interest payable on those borrowings is close to current market rates or the borrowings are of a short-term nature. The fair values of non-current borrowings are determined based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs.

Fair value is categorised within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement as a whole:

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

All of the Group's financial instruments measured, recognised and disclosed at fair value were valued using market observable inputs (Level 2). There were no transfers between levels during the period and there has been no change in the valuation techniques applied.

### Key estimate

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. The fair value of both cross-currency interest rate swaps and interest rate swaps is calculated as the present



value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period.

## Network summary

### B12 Goodwill

| 2019            |  | Total |
|-----------------|--|-------|
| \$M             |  |       |
| Cost            |  | 204.7 |
| Net book amount |  | 204.7 |
| 2018            |  | Total |
| \$M             |  |       |
| Cost            |  | 204.7 |
| Net book amount |  | 204.7 |

Goodwill relates to the Group's acquisition of the Queensland Motorways Group.

#### Impairment testing of goodwill and other intangible assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Goodwill is tested for impairment on an annual basis, regardless of whether an indicator of impairment exists.

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purpose 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).

Where the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through profit or loss. The decrement in the carrying amount is recognised as an expense in profit or loss in the reporting period in which the impairment occurs.

The recoverable amount of the Group's cash generating units have been determined based on value-in-use calculations.

#### Key estimate

The Group makes certain assumptions in calculating the recoverable amount of its goodwill and other intangible assets. These include assumptions around expected traffic flows and forecast operational costs. In performing the value-in-use calculation, the Group has applied the assumptions noted in the above table. Management does not consider that any reasonable possible change in the assumptions will result in the carrying value of a CGU exceeding its recoverable amount.

The following table sets out the key assumptions on which management has based its cash flow projections. The calculations use 3 year cash flow projections based on financial budgets reviewed by the Board. Cash flows beyond this period are modelled using a consistent set of long-term assumptions up to the end of the applicable concession period:

|                                 | 2019 | 2018 |
|---------------------------------|------|------|
| Long term CPI (% annual growth) | 2.7% | 2.7% |
| Pre-tax discount rate (%)       | 8.2% | 8.2% |

Management has determined the values assigned to each of the above key assumptions as follows:

| Assumption                      | Approach used to determine values   |
|---------------------------------|---|
| Traffic volume                  | Based on historical trends and the Group's long term traffic forecasting models   |
| Long term CPI (% annual growth) | Based on independent external forecasts   |
| Pre-tax discount rate           | Discount rates consider specific risks relating to the CGU. In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post tax cash flows. The equivalent pre-tax discount rates are disclosed in the table above. |



### B13 Other intangible assets

| 2019<br>\$M              | Concession<br>assets | Assets under<br>construction | Total          |
|--------------------------|----------------------|------------------------------|----------------|
| Cost                     | 8,574.1              | 444.9                        | 9,019.0        |
| Accumulated amortisation | (1,008.8)            | -                            | (1,008.8)      |
| <b>Net book amount</b>   | <b>7,565.3</b>       | <b>444.9</b>                 | <b>8,010.2</b> |

| 2018<br>\$M              | Concession<br>assets | Assets under<br>construction | Total          |
|--------------------------|----------------------|------------------------------|----------------|
| Cost                     | 8,520.5              | 296.7                        | 8,817.2        |
| Accumulated amortisation | (785.2)              | -                            | (785.2)        |
| <b>Net book amount</b>   | <b>7,735.3</b>       | <b>296.7</b>                 | <b>8,032.0</b> |

### Movement in intangible assets

|                                     | Concession<br>assets<br>\$M | Assets under<br>construction<br>\$M | Total<br>\$M   |
|-------------------------------------|-----------------------------|-------------------------------------|----------------|
| Opening balance 1 July 2017         | 7,934.6                     | 80.8                                | 8,015.4        |
| Additions                           | -                           | 215.9                               | 215.9          |
| Changes in deferred payments        | 22.7                        | -                                   | 22.7           |
| Amortisation charge                 | (222.0)                     | -                                   | (222.0)        |
| <b>Net book amount 30 June 2018</b> | <b>7,735.3</b>              | <b>296.7</b>                        | <b>8,032.0</b> |
| Additions                           | -                           | 212.7                               | 212.7          |
| Changes in deferred payments        | (10.9)                      | -                                   | (10.9)         |
| Transfers                           | 64.5                        | (64.5)                              | -              |
| Amortisation charge                 | (223.6)                     | -                                   | (223.6)        |
| <b>Net book amount 30 June 2019</b> | <b>7,565.3</b>              | <b>444.9</b>                        | <b>8,010.2</b> |

### Concession assets

Concession assets represent the Group's rights to operate roads under Service Concession Arrangements. Service Concession Arrangements are accounted for in accordance with AASB Interpretation 12 Service Concession Arrangements (IFRIC 12), which establishes a framework for classification of the assets based on an intangible asset model and a financial asset model (bifurcated arrangements can also exist). Assets under construction are accounted for as contract assets in accordance with AASB 15 Revenue from Contracts with Customers until they are available for use. The Group classifies assets under construction based on whether the consideration provides rights to an intangible asset or a financial asset.

### Service concession arrangements – intangible asset model

The Group's service concession arrangements fall under the intangible asset model and are amortised on a straight-line basis over the term of the concession arrangement.

The Group has the right to toll the concession assets for the concession period. At the end of the concession period, all concession assets are returned to the respective Government. The remaining terms of the right to operate are reflected below:

|                       | 2019<br>Years | 2018<br>Years |
|-----------------------|---------------|---------------|
| Gateway and Logan     | 32            | 33            |
| Clem7 Tunnel          | 32            | 33            |
| AirportlinkM7         | 34            | 35            |
| The Go Between Bridge | 44            | 45            |
| Legacy Way Tunnel     | 46            | 47            |



## B13 Other intangible assets (continued)

### Indicators of impairment

At each reporting period the Group assesses whether there is an indicator of impairment. Where an indicator of impairment is identified, impairment testing is performed using the same approach as the Group's annual goodwill impairment testing. There were no indicators of impairment as of 30 June 2019.

### Assets under construction

Assets under construction at 30 June 2019 include the construction of the Logan Enhancement Project.

Construction costs relating to completed works are transferred to the concession asset upon final completion of the project. In the current period this related to costs associated with the Inner City Bypass.

#### Key estimate

As at 30 June 2019 the Group has a number of construction projects at varying stages of completion. The Group is exposed to direct and indirect construction risk including through its third party contractors. Construction risk includes exposures to claims made on the Group and claims that the Group may pass through or initiate on others. The Group continuously monitors its exposure to construction risk, assessing impacts to the financial statements at the conclusion of each reporting period.

## B14 Maintenance provision

### Movement in maintenance provision

|                                       | Current<br>\$M | Non-current<br>\$M |
|---------------------------------------|----------------|--------------------|
| Carrying value at 1 July 2017         | 65.4           | 558.6              |
| Additional provision recognised       | -              | 34.1               |
| Amounts paid/utilised                 | (60.3)         | -                  |
| Unwinding of discount                 | -              | 30.7               |
| Transfer                              | 94.8           | (94.8)             |
| <b>Carrying value at 30 June 2018</b> | <b>99.9</b>    | <b>528.6</b>       |
| Additional provision recognised       | -              | 41.4               |
| Amounts paid/utilised                 | (74.4)         | -                  |
| Unwinding of discount                 | -              | 24.8               |
| Transfer                              | 59.5           | (59.5)             |
| <b>Carrying value at 30 June 2019</b> | <b>85.0</b>    | <b>535.3</b>       |

#### Key estimate

As part of its obligations under the service concession arrangements, the Group assumes responsibility for the maintenance and repair of installations of the publicly owned roads it operates (including associated tolling equipment and systems). The Group records a provision for its present obligation to maintain the motorways held under concession deeds. The Group periodically reassesses the estimate of its present obligation, which includes consideration of the results of routine inspections performed over the condition of the roads it operates. Any incremental maintenance and repair activities identified through this process are assessed for whether they are the sole responsibility of the Group or whether they are the responsibility of other parties. To the extent the Group believes other parties are responsible for the maintenance or repair or remediation, the Group may initiate claims on those parties. These assessments inform the timing and extent of planned future maintenance activities, notwithstanding the provision recorded at period end continues to capture the Group's maintenance and repair obligations under the concession deeds.

The provision is included in the financial statements at the present value of expected future payments. The calculations to discount these amounts to their present value are based on the estimated timing and profile of expenditure occurring on the roads.

## Group structure

### B15 Principles of consolidation

#### Subsidiaries

Subsidiaries are fully consolidated from the date the Group gains control of the subsidiary and are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements of the Group, all inter-entity transactions and balances have been eliminated. The accounting policies adopted by the individual entities comprising the Group are consistent with the parent company.

### B16 Material subsidiaries

The Group's material subsidiaries are outlined below.

| Name of entity                              | Principal Activities  | Country of incorporation | % Equity Interest |      |
|---|-----------------------|--------------------------|-------------------|------|
|   |                       |                          | 2019              | 2018 |
| Transurban Queensland Finance Pty Limited   | Financing entity      | Australia                | 100               | 100  |
| Project T Partnership                       | Road/operating entity | Australia                | 100               | 100  |
| Gateway Motorway Pty Limited                | Road/operating entity | Australia                | 100               | 100  |
| Logan Motorways Pty Limited                 | Road/operating entity | Australia                | 100               | 100  |
| Queensland Motorways Management Pty Limited | Road/operating entity | Australia                | 100               | 100  |
| GBB Operations Pty Limited                  | Road/operating entity | Australia                | 100               | 100  |
| LW Operations Pty Limited                   | Road/operating entity | Australia                | 100               | 100  |
| Queensland Motorways Services Pty Limited   | Service entity        | Australia                | 100               | 100  |
| Transurban Queensland Property Trust        | Concession leasing    | Australia                | 100               | 100  |
| Transurban Queensland Property Pty Limited  | Trustee               | Australia                | 100               | 100  |
| APL Co Pty Limited                          | Road/operating entity | Australia                | 100               | 100  |
| TQ APL Finance Co Pty Limited               | Financing entity      | Australia                | 100               | 100  |
| TQ APL Asset Co Pty Limited                 | Trustee               | Australia                | 100               | 100  |
| TQ APL Asset Trust                          | Concession leasing    | Australia                | 100               | 100  |

#### Ultimate Parent

The ultimate parent company of the Group is Transurban Holdings Limited which is domiciled and listed in Australia.



## B17 Non-controlling interests

Set out below is summarised financial information for each material subsidiary that has non-controlling interests that are material to Transurban Queensland. The amounts disclosed are before inter-company eliminations.

|  | TQIT      |           |
|--|-----------|-----------|
|  | 2019      | 2018      |
|  | \$M       | \$M       |
| <b>Summarised balance sheet</b>  |           |           |
| Current assets   | 80.6      | 246.1     |
| Non-current assets   | 7,356.5   | 7,014.1   |
| Current liabilities  | (55.5)    | (69.4)    |
| Non-current liabilities  | (5,186.2) | (4,524.2) |
| Net assets   | 2,195.4   | 2,666.6   |
| <b>Carrying amount of non-controlling interests</b>                      | 2,195.4   | 2,666.6   |
| <b>Summarised statement of comprehensive income</b>                      |           |           |
| Revenue  | 337.1     | 335.4     |
| Profit/(loss) for the year   | (27.2)    | (27.4)    |
| Other comprehensive income/(loss)  | (62.2)    | (79.7)    |
| Total comprehensive income/(loss)  | (89.4)    | (107.1)   |
| <b>Profit/(loss) allocated to non-controlling interests</b>              | (27.2)    | (27.4)    |
| <b>Other comprehensive income allocated to non-controlling interests</b> | (62.2)    | (79.7)    |
| <b>Summarised cash flows</b>   |           |           |
| Cash flows from operating activities                                     | 169.0     | 99.7      |
| Cash flows from investing activities                                     | (216.5)   | (155.7)   |
| Cash flows from financing activities                                     | 56.9      | 61.0      |
| <b>Net increases/(decreases) in cash and cash equivalents</b>            | 9.4       | 5.0       |

The adoption of AASB 9 Financial Instruments resulted in the recognition of an expected credit loss allowance of \$1.3 million at 1 July 2018 (previous loss allowance was \$nil). There were no significant movements in the expected credit loss allowance through to 30 June 2019. TQIT's financial assets at amortised cost are considered to have low credit risk, and the loss allowance at 1 July 2018 and 30 June 2019 is therefore limited to 12 months of expected losses.

## B18 Deed of cross guarantee

### Deed of cross guarantee

TQH1 and Queensland Motorways Holding Pty Limited are party to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission. The companies represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by TQH1, they also represent the 'extended closed group'.

Set out on the next page is the summary financial information of the closed group:

**B18 Deed of cross guarantee (continued)**

|   | 2019<br>\$M    | 2018<br>\$M    |
|---|----------------|----------------|
| <b>Summarised statement of comprehensive income</b>   |                |                |
| Revenue   | 85.9           | 104.3          |
| Operating costs   | (0.4)          | (0.6)          |
| Net finance costs   | (34.6)         | (52.5)         |
| <b>Profit/(loss) before income tax</b>  | <b>50.9</b>    | <b>51.2</b>    |
| Income tax benefit/(expense)  | 6.5            | 22.0           |
| <b>Profit/(loss) for the year</b>   | <b>57.4</b>    | <b>73.2</b>    |
| <b>Total comprehensive income/(loss) for the year</b>                                       | <b>57.4</b>    | <b>73.2</b>    |
| <b>Summarised movements in retained earnings</b>  |                |                |
| Retained earnings/(accumulated losses) at the beginning of the year as originally presented | 111.8          | 38.6           |
| Change in accounting policy (see note B26)  | (1.9)          | -              |
| Retained earnings/(accumulated losses) at 1 July  | 109.9          | 38.6           |
| Profit/(loss) for the year  | 57.4           | 73.2           |
| Dividends provided for or paid  | -              | -              |
| <b>Retained earnings at the end of the year</b>   | <b>167.3</b>   | <b>111.8</b>   |
| <b>Summarised balance sheet</b>   |                |                |
| <b>Current assets</b>   |                |                |
| Cash and cash equivalents   | 3.7            | 1.1            |
| Trade and other receivables   | 124.5          | 35.3           |
| <b>Total current assets</b>   | <b>128.2</b>   | <b>36.4</b>    |
| <b>Non-current assets</b>   |                |                |
| Other financial assets  | 1,751.2        | 1,746.7        |
| Other receivables   | 1,167.3        | 1,126.9        |
| Deferred tax assets   | 123.9          | 126.1          |
| <b>Total non-current assets</b>   | <b>3,042.4</b> | <b>2,999.7</b> |
| <b>Total assets</b>   | <b>3,170.6</b> | <b>3,036.1</b> |
| <b>Current liabilities</b>  |                |                |
| Trade and other payables  | 187.5          | 126.0          |
| <b>Total current liabilities</b>  | <b>187.5</b>   | <b>126.0</b>   |
| <b>Non-current liabilities</b>  |                |                |
| Payables  | 2,235.0        | 2,217.5        |
| Other liabilities   | 11.9           | 11.9           |
| <b>Total non-current liabilities</b>  | <b>2,246.9</b> | <b>2,229.4</b> |
| <b>Total liabilities</b>  | <b>2,434.4</b> | <b>2,355.4</b> |
| <b>Net assets</b>   | <b>736.2</b>   | <b>680.7</b>   |
| <b>Equity</b>   |                |                |
| Contributed equity  | 568.9          | 568.9          |
| Retained earnings   | 167.3          | 111.8          |
| <b>Total equity</b>   | <b>736.2</b>   | <b>680.7</b>   |

The adoption of AASB 9 Financial Instruments resulted in the recognition of an expected credit loss allowance of \$2.7 million at 1 July 2018 (previous loss allowance was \$nil). There were no significant movements in the expected credit loss allowance through to 30 June 2019. TQIT's financial assets at amortised cost are considered to have low credit risk, and the loss allowance at 1 July 2018 and 30 June 2019 is therefore limited to 12 months of expected losses.



## Items not recognised

### B19 Contingencies

#### Contingent liabilities

As a result of the acquisition of the concession assets noted below, the Group may be required to make further payments to the respective vendors in the event that the traffic and toll revenue performance of the relevant asset exceeds certain criteria. The following table details the current carrying value of the contingent consideration recognised within 'Other provisions' in the consolidated balance sheet, the maximum nominal value that could be paid under each contract and the date at which the contingent consideration is assessed and becomes payable:

|                   | Carrying value<br>\$M | Maximum consideration payable<br>\$M | Assessment / payment date |
|-------------------|-----------------------|--------------------------------------|---------------------------|
| Legacy Way Tunnel | 120.6                 | Unlimited <sup>1</sup>               | Jun 2020                  |

1. The maximum consideration payable will reflect a portion of the cumulative outperformance of the concession asset as compared against an internal rate of return agreed between Transurban Queensland and the Brisbane City Council.

#### Parent entity

The parent entity does not have any contingent liabilities at reporting date (2018: nil).

#### Key estimate

The contingent consideration is recorded at the end of each reporting period at its fair value based upon the same traffic and revenue assumptions as outlined in note B12.

### B20 Commitments

|   | Operating lease commitments |             | Capital commitments |             |
|---|-----------------------------|-------------|---------------------|-------------|
|   | 2019<br>\$M                 | 2018<br>\$M | 2019<br>\$M         | 2018<br>\$M |
| Within one year                                   | 1.6                         | 2.0         | 33.1                | 199.4       |
| Later than one year but not later than five years | 2.1                         | 3.7         | 16.6                | 1.9         |
| Later than five years                             | 15.4                        | -           | -                   | -           |
|   | 19.1                        | 5.7         | 49.7                | 201.3       |

### B21 Subsequent events

Subsequent to 30 June 2019, the Group completed the refinancing of its capital expenditure borrowing facilities, increasing the facility to \$500 million with a maturity date of August 2022. The Group also completed the refinancing of its working capital facility with a maturity date of August 2022.

## Other

### B22 Related party transactions

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <i>Transactions with related parties</i>         |                |                |
| Shareholder loan interest expense                | (65,250.0)     | (65,250.0)     |
| Transurban Limited service fee                   | (10,900.0)     | (11,515.7)     |
| Additional service fees expense                  | (15,100.0)     | (15,976.4)     |
| Integration expenses                             | -              | (65.7)         |
| <i>Outstanding balances with related parties</i> |                |                |
| Shareholder loan notes                           | (778,197.5)    | (822,197.5)    |
| Related party payables                           | (1,016.8)      | (4,909.2)      |

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

#### Shareholder loan notes

The shareholder loan notes comprise two separate issuances as follows:

- \$750.0m of loan notes issued on July 2014, which are redeemable on 31 December 2048. Interest is payable on a quarterly basis at 8.70% per annum.
- \$102.2m of interest-free loan notes issued in April 2016, which are redeemable on 31 July 2053. \$74.0m of loan notes have been redeemed by shareholders as at 30 June 2019.

The shareholder loan notes are unsecured.

### B23 Key management personnel compensation

Key management personnel compensation comprises income paid or payable, or otherwise made available by the Group or any related party.

#### Executive Directors

S Charlton  
V Hannan (appointed 25 October 2018)  
M Huey (appointed 5 December 2018)  
S Johnson  
T McKay (resigned 25 October 2018)

This group includes the Chief Executive Officer and other management personnel of the Transurban Group whose remuneration is paid by the Transurban Group and who do not receive any separable remuneration for services provided to Transurban Queensland. A management fee is paid by Transurban Queensland to the Transurban Group, which includes consideration for the services rendered.

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

| <i>Name</i>  | <i>Position</i>            |
|--------------|----------------------------|
| C Poynter    | General Manager            |
| D McLoughlin | General Manager Operations |



## B23 Key management personnel compensation (continued)

### Key management personnel compensation

|                                | 2019<br>\$        | 2018<br>\$        |
|--------------------------------|-------------------|-------------------|
| Short-term employee benefits   | 6,130,148         | 5,947,420         |
| Post-employment benefits       | 114,355           | 1,564,670         |
| Long-term benefits             | 140,117           | 90,756            |
| Share-based payments           | 2,786,123         | 113,588           |
| Deferred short term incentives | 1,873,315         | 2,395,751         |
|                                | <b>11,044,058</b> | <b>10,112,185</b> |

## B24 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group and its related practices:

### Amounts received or due and receivable by PricewaterhouseCoopers

|   | 2019<br>\$     | 2018<br>\$     |
|---|----------------|----------------|
| Audit and review of financial reports         | 496,000        | 571,000        |
| Other assurance services                      | 25,000         | 90,000         |
|   | <b>521,000</b> | <b>661,000</b> |
| Other services                                | -              | -              |
| Total remuneration for PricewaterhouseCoopers | <b>521,000</b> | <b>661,000</b> |
| Total auditors remuneration                   | <b>521,000</b> | <b>661,000</b> |

## B25 Parent entity disclosures

The financial information for the parent entity, TQH1, has been prepared on the same basis as the consolidated financial statements, except as set out below.

### Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the parent entity financial statements of TQH1. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

### Tax consolidation legislation

In addition to its own current and deferred tax amounts, TQH1 also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

### Guarantees entered into by the parent entity

There are cross guarantees given by TQH1 and Queensland Motorways Holding Pty Limited as described in note B18.

## B25 Parent entity disclosures (continued)

### Summary financial information

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

|                                   | 2019<br>\$M  | 2018<br>\$M  |
|-----------------------------------|--------------|--------------|
| <b>Balance sheet</b>              |              |              |
| Current assets                    | 162.2        | 72.1         |
| Total assets                      | 1,622.3      | 1,495.1      |
| Current liabilities               | (164.6)      | (109.0)      |
| Total liabilities                 | (1,004.8)    | (931.3)      |
| <b>Net assets</b>                 | <b>617.5</b> | <b>563.8</b> |
| <i>Shareholders' equity</i>       |              |              |
| Contributed equity                | 568.9        | 568.9        |
| Retained earnings                 | 48.6         | (5.1)        |
| <b>Total equity</b>               | <b>617.5</b> | <b>563.8</b> |
| <b>Profit for the year</b>        | <b>55.7</b>  | <b>71.3</b>  |
| <b>Total comprehensive income</b> | <b>55.7</b>  | <b>71.3</b>  |

The adoption of AASB 9 Financial Instruments resulted in the recognition of an expected credit loss allowance of \$2.0 million at 1 July 2018. The counterparties were assessed to have low credit risk and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses. There were no movements in the expected credit loss allowance through to 30 June 2019.

## B26 Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Group's financial statements. AASB 15 Revenue from Contracts with Customers did not have an impact on the Group's financial statements as disclosed at note B4 Revenue.

### Adoption of AASB 9 Financial Instruments

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

AASB 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new standard are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

AASB 9 eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale. Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or at fair value through profit or loss (FVPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.



## B26 Changes in accounting policies

### Adoption of AASB 9 Financial Instruments (continued)

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

|   | As at<br>30 June<br>2018<br>\$M | AASB 9        | As at<br>1 July<br>2018<br>\$M |
|---|---------------------------------|---------------|--------------------------------|
| <b>Balance Sheet (extract)</b>  |                                 |               |                                |
| <b>ASSETS</b>   |                                 |               |                                |
| <b>Current assets</b>   |                                 |               |                                |
| Trade and other receivables   | 31.8                            | (18.3)        | 13.5                           |
| <b>Total current assets</b>   | <b>118.9</b>                    | <b>(18.3)</b> | <b>100.6</b>                   |
| <b>Non-current assets</b>   |                                 |               |                                |
| Deferred tax assets   | 750.5                           | 5.5           | 756.0                          |
| <b>Total non-current assets</b>   | <b>9,019.3</b>                  | <b>5.5</b>    | <b>9,024.8</b>                 |
| <b>Total assets</b>   | <b>9,138.2</b>                  | <b>(12.8)</b> | <b>9,125.4</b>                 |
| <b>LIABILITIES</b>  |                                 |               |                                |
| <b>Current liabilities</b>  |                                 |               |                                |
| <b>Total current liabilities</b>  | <b>254.9</b>                    | <b>-</b>      | <b>254.9</b>                   |
| <b>Non-current liabilities</b>  |                                 |               |                                |
| <b>Total non-current liabilities</b>                                      | <b>5,999.9</b>                  | <b>-</b>      | <b>5,999.9</b>                 |
| <b>Total liabilities</b>  | <b>6,254.8</b>                  | <b>-</b>      | <b>6,254.8</b>                 |
| <b>Net assets</b>   | <b>2,883.4</b>                  | <b>(12.8)</b> | <b>2,870.6</b>                 |
| <b>EQUITY</b>   |                                 |               |                                |
| Contributed equity  | 568.9                           | -             | 568.9                          |
| Accumulated losses  | (352.1)                         | (12.8)        | (364.9)                        |
| Equity attributable to other members of the stapled group (TQH2/TQI/TQIT) | 2,666.6                         | -             | 2,666.6                        |
| <b>Total equity</b>   | <b>2,883.4</b>                  | <b>(12.8)</b> | <b>2,870.6</b>                 |

The total impact on the Group's retained earnings as at 1 July 2018 is as follows:

|  | 2018<br>\$M    |
|--|----------------|
| <b>Accumulated losses 30 June 2018</b>                                 | <b>(352.1)</b> |
| Increase in provision for trade receivables                            | (9.1)          |
| Increase in provision for other receivables at amortised cost          | (9.2)          |
| Increase in deferred tax assets relating to impairment provisions      | 5.5            |
| Adjustment to retained earnings from adoption of AASB 9 on 1 July 2018 | (12.8)         |
| <b>Opening accumulated losses 1 July 2018</b>                          | <b>(364.9)</b> |

### Impact of transition to AASB 9 Financial Instruments

#### (i) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the Group has assessed which business models apply to the financial assets held by the Group and there has been no change in classification and measurement.

#### (ii) Derivatives and hedging activities

The foreign currency forwards and interest rate swaps in place as at 30 June 2018 qualified as cash flow hedges under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges. Accordingly, there is no impact from adopting AASB 9 on the Group's accounting for derivatives and hedge activities.

## B26 Changes in accounting policies

### Impact of transition to AASB 9 Financial Instruments (continued)

#### (iii) Impairment of financial assets

The Group has two types of financial assets that are subject to AASB 9's new expected credit loss model:

- trade receivables for toll revenue; and
- other financial assets at amortised cost.

The Group has revised its impairment methodology under AASB 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the previous table above. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.



## Section C: Signed reports

In the opinion of the Directors:

- (a) the financial statements and notes as set out on pages 11 to 50 are in accordance with the *Corporations Act 2001*, including:
  - (i) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note B18 will be able to meet any obligations or liabilities to which they are, or may become liable, subject by virtue of the deed of cross guarantee described in note B18.

Note B3 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**J Massey**  
Director



**S Johnson**  
Director

Brisbane  
28 August 2019



## Independent auditor's report

To the shareholders of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Pty Limited and unitholders of Transurban Queensland Invest Trust

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### Our opinion

In our opinion:

The accompanying financial report of Transurban Queensland Holdings 1 Pty Limited (the Company) and its controlled entities (together the Transurban Queensland Group or the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### What we have audited

The financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors for the financial report*

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'R. Nicholas Cooper'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'M. Laithwaite'.

Marcus Laithwaite  
Partner

Melbourne  
28 August 2019