Transurban Queensland Group

(combined Group of Transurban Queensland Invest Pty Limited, Transurban Queensland Invest Trust and its controlled entities, Transurban Queensland Holdings 1 Pty Limited and its controlled entities and Transurban Queensland Holdings 2 Pty Limited and its controlled entities)

Financial Report for the year ended 30 June 2015

Transurban Queensland Group
Financial Report - 30 June 2015

Contents

Transurban Queensland Holdings 1 Pty Limited. ABN 64 169 090 804. Registered in Australia. Transurban Queensland Holdings 2 Pty Limited. ABN 45 169 090 788. Registered in Australia. Transurban Queensland Invest Trust. ABN 25 633 812 177. Registered in Australia. Transurban Queensland Invest Pty Limited. ABN 47 169 090 733. Registered in Australia. Each of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and Transurban Queensland Invest Pty Limited are members of the Transurban Queensland Group (the 'Group') (not a legal entity).

A description of the nature of the Group's operations and its principal activities is included in the Directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 22 October 2015. The Directors have the power to amend and reissue the financial statements.

Throughout this financial report, the terms Transurban Queensland Group and the Group refers to the combined Group, including Transurban Queensland Holdings 1 Pty Limited and controlled entities, Transurban Queensland Holdings 2 Pty Limited and controlled entities, Transurban Queensland Invest Trust and controlled entities and Transurban Queensland Invest Pty Limited.

Directors' report

Your Directors present their report on the combined Group that is Transurban Queensland. The combined Group comprises of Transurban Queensland Invest Pty Limited, Transurban Queensland Invest Trust, and its controlled entities, Transurban Queensland Holdings 1 Pty Limited and its controlled entities and Transurban Queensland Holdings 2 Pty Limited and its controlled entities for the year ended 30 June 2015. Throughout the report, the combined Group is referred to as the Group.

Directors
The following persons were Directors of the Group during the financial year and up to the date of this report.

Directors
S Charlton (appointed 14 April 2014)
L Petschel (appointed 17 July 2014)
W Ballantine (appointed 14 April 2014)
S Hogg (resigned 14 July 2014)
N Kemp (resigned 11 December 2014)
J Massey (appointed 16 October 2014)
E Rubin (appointed 11 December 2014)
J Gardiner (appointed 16 April 2015)
J Peasley (resigned 16 April 2015)
N Ward was appointed as an alternate Director on 16 April 2014

Principal activities
Transurban Queensland Invest Pty Limited, Transurban Queensland Invest Trust, Transurban Queensland Holdings 1 Pty Limited and Transurban Queensland Holdings 2 Pty Limited were each registered on 14 April 2014. The FY14 comparatives presented in these financial statements therefore only include the financial results of the above entities for the period 14 April 2014 to 30 June 2014.

On 24 April 2014 the Group reached an agreement to acquire Queensland Motorways Group through an all cash offer to the existing shareholder. The acquisition was completed on 2 July 2014.

The Queensland Motorways Group portfolio is a motorway network in Brisbane, Australia comprising four concessions covering the Logan and Gateway motorways, Clem7 Tunnel, Go Between Bridge and Legacy Way Tunnel.

The principal activities during the year of entities within the Group were the development, operation and maintenance of the acquired toll roads.

There have been no significant changes to the nature of these activities during the year.

Distributions
Distributions paid to members during the financial year were as follows.

	30 June 2015 $M	30 June 2014 $M
Distributions paid during the year		
31 December 2014	**50**	-
31 March 2015	**36**	-
30 June 2015	**39**	-
	125	-

Operating and financial review
The Group recorded a loss of $525 million before tax for the financial year ended 30 June 2015 (2014: loss of $21 million). Included in this result was $418 million in transaction and integration costs relating to the Queensland Motorways acquisition.

Operating and financial review (continued)
The RFA[1] assets, Gateway and Logan Motorway represent 85% of Transurban Queensland's toll revenue and contributed $262 million in EBITDA[2] to the overall Group.

Logan Motorway traffic has benefited from the completion of the first phase of the pavement rectification works which finished in late 2014, phase two is in detailed design and expected to commence in late 2015. A full review is underway of all the remaining pavement rectification works across the Logan and Gateway Extension Motorways.

FY15 has seen strong growth in commercial vehicle traffic on the Logan Motorway, particularly light commercial vehicle traffic (Class 4).

Gateway toll revenue comes from daily commuter and commercial traffic. The Gateway Motorway is being upgraded north of the concession area by the state and is not part of the RFA concession. The upgrade works will have minor impact on traffic in the near term.

Clem7, the first road tunnel in Brisbane had a steady increase in traffic during the year mainly due to increase congestion on the alternative free routes. Clem7 represents 12% of the Group Toll Revenue, with an EBITDA of $24 million.

Go Between Bridge is an alternative river crossing for commuters and the smallest asset in the portfolio. The Go Between Bridge is benefitting from the regeneration of the West End of Brisbane and increased congestion on the north side of the river and contributed EBITDA of $10 million to the overall Group.

Legacy Way tunnel opened to traffic on the 25 June 2015 and Transurban Queensland achieved financial close on 29 June 2015, acquiring the asset for approximately $118 million. The tunnel will deliver a critical connection between the inner northern suburbs and the western suburbs of Brisbane considerably reducing travel times and relieving congestion.

Other (Service and Business Development)
Transurban Queensland signed an initial agreement with the Department of Transport and Main Roads (DTMR) to procure a design and construction contractor to deliver the Gateway Upgrade North (GUN) works. The process is now complete and the contractor has been approved by DTMR to design and construct the project. Associated contracts including Transurban Queensland's contract to manage the delivery phase were finalised in July 2015. The project is fully funded by the Federal and State Governments.

Significant changes in the state of affairs
Other than the matters outlined above, no significant changes in the Group's state of affairs occurred during the financial year.

Matters subsequent to the end of the financial year
On 2 July 2015, Transurban Queensland priced approximately $900 million in senior secured notes ('Notes'). Settlement occurred on 22 September 2015. The Notes were issued in three tranches of approximately $200 million, $300 million and $400 million with tenors of 10, 12 and 15 years respectively. The proceeds were used to repay existing debt that was due to reach maturity from July 2016.

Audit services
During the year the following fees were paid or payable for audit and non-audit services provided by the auditor of the Group:

	2015	2014
	$	$
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and review of financial reports	460,000	-
Total remuneration for PricewaterhouseCoopers	460,000	-

[1] A single Road Franchise Agreement (RFA) governs the concession for the Logan and Gateway Motorway assets
[2] Earnings before interest, tax, depreciation and amortisation

Audit services (continued)
Transurban acquired Queensland Motorways on 2 July 2014 and appointed PricewaterhouseCoopers as the Group's auditor. There were no prior year audit fees from PricewaterhouseCoopers for Queensland Motorways.

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 Directors and officers 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
Amounts in the Directors' report have been rounded off to the nearest million dollars, or in certain cases, to the nearest dollar.

Auditor
PricewaterhouseCoopers was appointed on 11 December 2014 in office in accordance with section 327 of the *Corporations Act 2001*.

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

John Massey
Director

Wesley Ballantine
Director

Brisbane
22 October 2015

Transurban Queensland Group
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This financial report covers the combined financial statements of the Group consisting of Transurban Queensland Holdings 1 Pty Limited and controlled entities, Transurban Queensland Holdings 2 Pty Limited and controlled entities, Transurban Queensland Invest Trust and controlled entities and Transurban Queensland Invest Pty Limited. The financial report is presented in Australian dollars.

The financial statements were authorised for issue by the Directors on 22 October 2015. The Directors have the power to amend and reissue the financial statements.

Transurban Queensland Group
Consolidated income statement
For the year ended 30 June 2015

	Notes	2015 $M	2014 $M
Revenue from continuing operations			
Toll revenue		**395**	-
Fee revenue		**33**	-
Other road revenue		**1**	-
		429	-
Expenses			
Employee benefits expense		**(29)**	-
Management fees		**(10)**	-
Administration and other expenses		**(22)**	-
Road operating costs	5	**(75)**	-
Transaction and integration costs	4	**(418)**	(10)
Total expenses		**(554)**	(10)
(Loss) before depreciation, amortisation, net finance costs and income taxes		**(125)**	(10)
Depreciation		**(8)**	-
Amortisation		**(159)**	-
Total depreciation and amortisation		**(167)**	-
Net finance costs	6	**(233)**	(11)
(Loss) before income tax		**(525)**	(21)
Income tax benefit	7	**26**	1
(Loss) for the year		**(499)**	(20)

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

Transurban Queensland Group
Consolidated statement of comprehensive income
For the year ended 30 June 2015

	2015 $M	2014 $M
(Loss) for the year	**(499)**	(20)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Net valuation losses taken to equity (net of tax)	**(30)**	-
Net valuation losses transferred to the income statement	**6**	-
Other comprehensive income for the year, net of tax	**(24)**	-
Total comprehensive income for the year	**(523)**	(20)

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

	Notes	2015 $M	2014 $M
ASSETS			
Current assets			
Cash and cash equivalents	8	**68**	20
Trade and other receivables	9	**27**	3
Total current assets		**95**	23
Non-current assets			
Derivative financial instruments	10	**14**	-
Property, plant and equipment		**18**	-
Deferred tax assets	12	**617**	-
Intangible assets	11	**6,616**	-
Total non-current assets		**7,265**	-
Total assets		**7,360**	23
LIABILITIES			
Current liabilities			
Trade and other payables	13	**163**	-
Provisions	15	**41**	-
Employee benefits		**1**	-
Borrowings	14	**15**	-
Other liabilities	16	**41**	-
Total current liabilities		**261**	-
Non-current liabilities			
Provisions	15	**546**	-
Employee benefits		**1**	-
Borrowings	14	**2,824**	-
Shareholder loans		**750**	-
Derivative financial instruments	10	**47**	-
Total non-current liabilities		**4,168**	-
Total liabilities		**4,429**	-
Net assets		**2,931**	23
EQUITY			
Contributed equity	17	**3,599**	43
Reserves	18	**(24)**	-
Accumulated losses	18	**(644)**	(20)
Total equity		**2,931**	23

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

	Contributed equity $M	Reserves $M	Accumulated losses $M	Total $M
Balance at 1 July 2013	**-**	**-**	**-**	**-**
Comprehensive income				
Loss for the year	-	-	(20)	(20)
Transactions with owners in their capacity as owners:				
Issue of ordinary shares	43	-	-	43
Balance at 30 June 2014	**43**	**-**	**(20)**	**23**

	Contributed equity $M	Reserves $M	Accumulated losses $M	Total $M
Balance at 1 July 2014	**43**	**-**	**(20)**	**23**
Comprehensive income				
Loss for the year	-	-	(499)	(499)
Other comprehensive income	-	(24)	-	(24)
Total comprehensive loss	-	(24)	(499)	(523)
Transactions with owners in their capacity as owners:				
Issue of ordinary shares	3,556	-	-	3,556
Distributions provided for or paid	-	-	(125)	(125)
	3,556	-	(125)	3,431
Balance at 30 June 2015	**3,599**	**(24)**	**(644)**	**2,931**

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

Transurban Queensland Group
Consolidated statement of cash flows
For the year ended 30 June 2015

	Notes	2015 $M	2014 $M
Cash flows from operating activities			
Receipts from customers		**478**	-
Payments to suppliers and employees		**(137)**	(3)
Transaction and integration costs related to acquisitions		**(418)**	(9)
Payments for maintenance of intangible assets		**(44)**	-
Interest received		**2**	-
Interest / debt fees paid		**(105)**	(11)
Shareholder loans interest paid		**(65)**	-
Net cash (outflow) from operating activities		**(289)**	(23)
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired		**(6,397)**	-
Payments for fixed assets		**(10)**	-
Net cash inflow (outflow) from investing activities		**(6,407)**	-
Cash flows from financing activities			
Repayment of borrowings		**(650)**	-
Dividends and distributions paid		**(125)**	-
Proceeds from borrowings (net of costs)		**3,213**	-
Proceeds from shareholder loans		**750**	-
Proceeds from issue of securities		**3,556**	43
Net cash inflow (outflow) from financing activities		**6,744**	43
Net increase in cash and cash equivalents		**48**	20
Cash and cash equivalents at the beginning of the year		**20**	-
Cash and cash equivalents at end of year	8	**68**	20

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements comprise the combined Group that is Transurban Queensland (the 'Group'). The Group is a for-profit entity.

Compliance with accounting standards
The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). All accounting policies have been adopted in accordance with AASBs, and where a standard permits a choice in accounting policy, the policy adopted by the Group have been disclosed in these financial statements.

The consolidated financial statements comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities.

Rounding of amounts
Amounts in the financial statements have been rounded to the nearest million dollars, or in certain cases, to the nearest dollar.

Going concern
The consolidated balance sheet of the Group indicates an excess of current liabilities over current assets. 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 cash inflows from operating activities of $127 million excluding payments of $418 million in transaction and integration costs relating to acquisitions;
- The Group's current liabilities include a one-off payment of $118 million relating to the financial close of Legacy Way, which was settled on 10 July 2015 via non-current borrowings; and
- The Group has $311 million of undrawn non-current borrowing facilities available.

Reissuance of financial report
The previously issued financial report of the Group for the year ended 30 June 2015 dated 20 August 2015 has been withdrawn and is replaced by this financial report. The revision was necessary due to the fact that additional information became available about the users that might rely on the information in financial statements. Accordingly, the Directors have amended the financial report by changing the disclosures to comply with General Purpose Financial Report Tier 1 reporting requirements.

(b) Principles of consolidation

Subsidiaries
Subsidiaries are all those entities which the Group controls. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to govern the financial and operating policies of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by Group (note 1(g)).

1 Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations

The Group has adopted the following new or revised accounting standards which became effective for the financial reporting period commencing on 1 July 2014. The Group determined there is no impact on the financial statements:

Reference	Description
AASB 2012-3	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.
AASB 2013-9	Amendments to Australian accounting standards conceptual framework, materiality and financial instruments. Part B makes amendments to particular standards to delete references to AASB 1031 and minor amendments to other standards.
AASB 2014-1	Amendments to Australian accounting standards arising from the issuance by the IASB of IFRSs Annual improvements to IFRSs 2010-2012 and 2011-2013 cycles. These address various Australian accounting standards.
AASB 1031	The revised AASB 1031 is an interim standard that cross-references to other standards that contains guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all standards and interpretations have been removed.
Interpretation 21	This interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs.

(d) Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not yet mandatory for 30 June 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Description	Impact on the Group	Application of the standard	Application by the Group
AASB 9 Financial instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also includes an expected loss impairment model and a reformed approach to hedge accounting.	Management is in the process of assessing the impact of this standard on the Group's financial assets, but does not believe the impact will be significant. There will be no impact on the Group's accounting for financial liabilities.	1 January 2018	1 July 2018
AASB 15 Revenue from contracts with customers	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.	Although a formal assessment has not been completed, the impact of the application of the new standard is not expected to be material.	1 January 2017	1 July 2017
AASB 2014-4	Amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	The Group does not use the revenue based amortisation method and therefore the impact of the application of the new standard is not expected to be material.	1 January 2016	1 July 2016

1 Summary of significant accounting policies (continued)

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

AASB 2014-10	Amends AASB 10 and AASB 128 to address an inconsistency between the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	Although a formal assessment has not been completed, the impact of the application of the new standard is not expected to be material.	1 January 2016	1 July 2016
AASB 2015-1	These amendments clarify various Australian accounting standards.	Although a formal assessment has not been completed, the impact of the application of the new standard is not expected to be material.	1 January 2016	1 July 2016
AASB 2015-2	These amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements.	Although a formal assessment has not been completed, the impact of the application of the new standard is not expected to be material.	1 January 2016	1 July 2016

(e) Revenue recognition

The Group generates the following types of revenue:

- Toll revenue - Recognised when the charge is incurred by the user
- Fee revenue - Recognised when the charge is incurred by the user and the amount is determined to be recoverable by the Group
- Other revenue - Includes management fee revenue, business development revenue and other road revenue, and is recognised to the extent that incurred costs will be recovered.

(f) Income tax

The income tax expense/benefit for the period is the tax payable or benefit on the current period's taxable income based on the applicable income tax rate for each jurisdiction, 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.

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

Transurban Queensland Holdings 1 Pty Ltd (TQH1) and its 100% owned Australian controlled entities formed a tax consolidated group with effect from 2 July 2014. Transurban Queensland Holdings 1 Pty Ltd (TQH1) is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should TQH1 default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

TQH1 and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, TQH1 also recognises 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 consolidation group.

Members of the tax consolidation Group have entered into a tax funding agreement (TFA). Under the TFA the funding of tax within the Group is based on the notional standalone taxable income of a member for the tax period net of any installments paid. The TFA requires payments to/from TQH1 to be recognized via an inter-entity receivable (payable) which is at call. Any difference between the amounts assumed and the amounts receivable or payable under the TFA are recognized as a contribution to (or distribution from) wholly-owned tax consolidated entities.

The amount receivable/payable under the TFA is due upon receipt of the funding advice from TQH1, calculated at the end of the financial year for each wholly-owned entity. TQH1 may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease incentives are recognised as a reduction of the rental expense over the lease term on a straight-line basis.

(h) Business combinations

Acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing ratebeing the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Impairment of 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. Where the carrying amount of an 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.

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).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group does not consider that there have been any indicators of impairment in relation to any of its cash generating units during the year.

(j) Cash and cash equivalents

For the purpose of presentation in the combined 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 insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. All cash balances are interest bearing.

(k) Investments and other financial assets

Classification

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. The classification of the Group's investments at initial recognition and, in the case of assets classified as held-to-maturity, is re-evaluated at each reporting period.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it was acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Trade receivables are due for settlement no more than 30 days from revenue recognition.

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.

Recognition and derecognition
Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

(l) Derivatives and hedging activities

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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 10. Movements in the hedging reserve in shareholders' equity are shown in note 18. 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; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The treatment of derivatives is as follows:

1 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

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 and loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in 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.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs incurred on development projects (including computer software and hardware) are recognised as an asset when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be reliably measured. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Depreciation
Depreciation is calculated on a straight line basis so as to write off the net cost of items of plant and equipment over their expected useful lives. Estimates of remaining useful lives will be made annually for all assets. The expected useful lives are 3 to 15 years.

Impairment
Fixed assets are assessed for impairment in line with the policy stated in note 1(h).

(n) Intangible assets

Concession assets
Concession assets represent the Group's rights to operate roads under Service Concession Arrangements. Concession assets constructed by the Group are recorded at the fair value of consideration received or receivable for the construction services delivered. Concession assets acquired by the Group are recorded at the fair value of the assets at the date of acquisition. All concession assets are classified as intangible assets and are amortised over the term of the right to operate the asset on a straight line basis. For details of concession agreement dates refer to note 11.

1 Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

Concession assets (continued)
Where work is in progress, it is classified as assets under construction.

Goodwill
Goodwill is measured as described in note 1(g). Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the relevant cash-generating units for the purpose of impairment testing.

(o) Financial liabilities

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, 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 finance income or finance costs.

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

(q) Borrowing costs

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 deferred and amortised over the effective period of the funding.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are discounted at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current

1 Summary of significant accounting policies (continued)

(r) Provisions (continued)

market assessments of the time value of money and the risks specific to the liability. The increase in the provision is due to the discount unwinding over the passage of time and is recognised as a finance cost.

Provision for maintenance
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. The Group records a provision for its present obligation to maintain the Motorways held under 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.

Provision for distribution
A provision for distribution is recognised for any distribution declared and authorised on or before the end of the reporting period, but not distributed by the end of the reporting period. These distributions are provided for once they are approved by the board, are announced to equity holders and are no longer at the discretion of the entity.

(s) Employee benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and short-term incentives and long service leave expected to be settled within 12 months after the end of the period are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and short-term incentives, and long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented in payables. An expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

Long-term employee benefit obligations
The liability for long service leave which is not expected to be settled within 12 months after the end of the period is recognised in the non-current provision for employee benefits. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation
Superannuation is contributed to plans as nominated by the employee. The contribution is not less than the statutory minimum. The superannuation plans are all accumulation funds.

The cost of current and deferred employee compensation and contributions to employee superannuation plans were charged to profit or loss.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(t) Contributed equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction, net of tax, from the proceeds.

If the Group reacquires its own equity shares, those shares are deducted from equity. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

1 Summary of significant accounting policies (continued)

(u) 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 combined 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.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Income taxes
Significant judgment 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 current and deferred tax assets and liabilities in the period in which such determination is made.

Provision for future major maintenance expenditure
The Group records a provision for its present obligation to maintain the Motorways held under 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.

A discount rate is used to value the maintenance expenditure provision at its present value, which is determined through reference to the nature of the provision and the risks associated with the expenditure.

Estimated impairment of intangible assets and cash generating units
Refer to note 1 (h).

3 Business combinations

Queensland Motorways Group

On 24 April 2014 the Group had reached an agreement to acquire Queensland Motorways Group through an all cash offer to the existing shareholder. The acquisition was completed on 2 July 2014.

The Queensland Motorways Group portfolio is a motorway network in Brisbane, Australia comprising four concessions covering the Logan and Gateway Motorways, Clem7 Tunnel, Go Between Bridge and Legacy Way Tunnel.

Purchase consideration	**$M**
Cash paid	6,419
Total purchase consideration	**6,419**

The consideration of $6,403 million was paid on 2 July 2014 with an additional $16 million payment made in September 2014 as a working capital adjustment.

	$M
Reconciliation of purchase consideration to cash acquired	
Cash paid	6,419
Less: cash acquired	(22)
Total purchase consideration	**6,397**

Acquisition-related costs
Total acquisition and integration costs incurred to date are $428 million, inclusive of $384 million of stamp duty. Of these acquisition costs, $418 million have been incurred in the current financial year. These acquisition costs are not included in the purchase consideration disclosed above but are recognised in the income statement in the current year.

Identifiable assets acquired and liabilities assumed
The final fair values of the assets and liabilities of Queensland Motorways Group as at acquisition date are as follows:

	Final fair value at 30 June 2015
	$M
Cash and cash equivalents	22
Trade and other receivables	14
Other assets	4
Property, plant and equipment	16
Deferred tax asset	609
Intangible assets	6,431
Trade and other payables	(52)
Provisions	(554)
Interest bearing liabilities	(270)
Other liabilities	(6)
Total identified assets acquired	**6,214**
Goodwill	205
Total	**6,419**

3 Business combinations (continued)

Queensland Motorways Group (continued)

Goodwill
The goodwill of $205 million is attributable to the expected synergies to be realised through managing the portfolio of both the acquired assets and the Group's existing assets, and to the measurement of deferred income taxes based on nominal amounts rather than fair value. None of the goodwill recognised is expected to be deductible for tax purposes.

Revenue and profit contribution
From the date of acquisition to 30 June 2015, revenue of $429 million and a statutory loss after taxation of $499 million was included in profit or loss with regard to Queensland Motorways Group. Excluding transaction and integration costs related to the acquisition, Queensland Motorways Group contributed a net loss after taxation of $81 million.

4 Significant items

	2015 $M	2014 $M
Transaction and integration costs		
Consulting	**13**	10
Integration expenses	**21**	-
Stamp duty	**384**	-
Total transaction and integration costs	**418**	10

All transaction and integration costs incurred relate to the acquisition and integration of Queensland Motorways.

5 Expenses

	2015 $M	2014 $M
Road operating costs		
Tolling expenses	**14**	-
Asset management	**32**	-
Maintenance provision	**29**	-
Total road operating costs	**75**	-

6 Net finance costs

	2015 $M	2014 $M
Interest income on bank deposits	2	-
Total finance income	2	-
Finance costs		
Interest and finance charges paid/payable	(141)	(11)
Related party interest and finance charges	(65)	-
Unwind of discount on liabilities	(29)	-
Total finance costs	(235)	(11)
Net finance costs	(233)	(11)

7 Income tax expense

	2015 $M	2014 $M
Current tax	(30)	(1)
Deferred tax	4	-
	(26)	(1)
Deferred income tax (benefit) expense included in income tax benefit comprises:		
Decrease in deferred tax assets (note 12)	12	-
(Decrease) in deferred tax liabilities (note 12)	(8)	-
	4	-

Numerical reconciliation of income tax benefit to prima facie tax payable

	2015 $M	2014 $M
Loss before income tax benefit	(525)	(20)
Tax at the Australian tax rate of 30.0% (2014 - 30.0%)	(157)	(6)
Trust losses not claimable	98	3
Non-deductible stamp duty	24	-
Sundry items	9	2
Income tax benefit	(26)	(1)

8 Current assets - Cash and cash equivalents

	2015 $M	2014 $M
Cash at bank and on hand	68	20
	68	20

All cash balances are interest bearing.

9 Current assets - Trade and other receivables

	2015 $M	2014 $M
Trade receivables	**32**	2
Provision for impairment of receivables (a)	**(6)**	-
	26	-
Related party receivables	**1**	-
Other receivables	**-**	1
	27	3

(a) Impaired trade receivables

As at 30 June 2015 current trade receivables of the Group with a nominal value of $6 million (2014: nil) were considered impaired and accordingly the Group held a provision for impairment of $6 million (2014: nil).

Movements in the provision for impairment of receivables are as follows:

	2015 $M	2014 $M
At 1 July 2014	**-**	-
Acquired provision	**6**	-
Provision for impairment recognised during the year	**1**	-
Receivables written off during the year as uncollectable	**(1)**	-
At 30 June 2015	**6**	-

10 Derivatives and financial risk management

	2015 $M	2014 $M
Non-current assets		
Interest rate swap contracts - cash flow hedges	**14**	-
	14	-
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**47**	-
	47	-

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group financial risk management policies.

The instruments used by the Group are as follows:

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.

10 Derivatives and financial risk management (continued)

Instruments used by the Group (continued)

Offsetting financial assets and liabilities
The Group has not settled any financial assets or financial liabilities on a net basis during the financial year. No financial assets or financial liabilities have been presented on a net basis in the Groups balance sheet.

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 75% of the interest rate exposure to be hedged. At 30 June 2015, 80.6% of the Group's interest rate exposure on variable rate borrowings was hedged.

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

	2015 $M	2014 $M
Cash and cash equivalents	**68**	20
Floating rate borrowings	**(2,609)**	-
Interest rate swaps (notional principal amount)	**2,103**	-
Net exposure to interest rate risk	**(438)**	20

Sensitivity

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

	Movement in post-tax profit	
	2015 **$M**	**2014** **$M**
Interest rates +100bps	**(4)**	-
Interest rates –100bps	**4**	-

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, trade receivables 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

10 Derivatives and financial risk management (continued)

Credit risk (continued)
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:

	2015 $M	2014 $M
Floating rate		
Expiring beyond one year	311	-
	311	-

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.

2015 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	163	-	-	-	-	-	163	163
Borrowings	103	702	901	78	827	3,278	5,889	3,610
Interest rate swaps	23	21	11	5	(1)	(31)	28	33
Total	289	723	912	83	826	3,247	6,080	3,806

2014 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

10 Derivative and financial risk management (continued)

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.

11 Non-current assets – Intangible assets

	Goodwill $M	Service Concession Assets $M	Total $M
Year ended 30 June 2015			
Opening net book amount	-	-	-
Additions	-	139	139
Acquisition of subsidiary	205	6,431	6,636
Amortisation charge	-	(159)	(159)
Net book amount	205	6,411	6,616

Goodwill

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

11 Non-current assets - Intangible assets (continued)

Concession assets

Service Concession Arrangements have been accounted for in accordance with AASB-Int 12 and therefore the concession assets have been classified as intangible assets.

Clem7 Tunnel
On the 13 December 2013 the Group's subsidiary, Project T Partnership, acquired the lease and concession from the Brisbane City Council in accordance with the Asset Disposal Agreement (ADA) agreed between the previous owner RiverCity Motorways Holds Pty Limited and the Brisbane City Council. The concession grants the right to toll and operate Clem7 Tunnel for the concession period of 36 years, ending 5 August 2051. At the end of the concession period, all concession assets are to be returned to the Brisbane City Council.

Gateway and Logan
The Group's subsidiary, Transurban Queensland Property Trust, holds the lease as part of the Service Concession Arrangement for the Gateway Motorway and Logan Motorway tollways which grants the Group the right to operate, maintain and repair these motorways for the concession period ending 31 December 2051 (being 36 years). Transurban Queensland Group and two of its subsidiaries have the right to collect tolls from the Gateway Motorway and Logan Motorway tollways for the duration of the Concession Arrangement and maintain the tollways to ensure continuous availability for public use. At the end of the concession period, all concession assets are to be returned to the Queensland State Government.

The Go Between Bridge
On 24 December 2013 the Group's subsidiary, GBB Operations Pty Limited, acquired the concession and lease from the Brisbane City Council. The Concession Deed grants the right to toll and operate the Go Between Bridge for a period of 48 years, ending 31 December 2063. GBB Operations Pty Limited also holds the lease as part of this arrangement. At the end of the concession period, all concession assets are to be returned to the Brisbane City Council.

Legacy Way Tunnel
On 29 June 2015 the Group's subsidiary, LW Operations Pty Limited, reached financial close on the acquisition of the concession and lease of Legacy Way Tunnel from the Brisbane City Council. The Concession Deed grants the right to toll and operate the Legacy Way Tunnel for a period of 50 years, ending 30 June 2065. LW Operations Pty Limited also holds the lease as part of this arrangement. At the end of the concession period, all concession assets are to be returned to the Brisbane City Council.

12 Deferred tax assets and liabilities

	Assets		**Liabilities**	
	2015	2014	**2015**	2014
	$M	$M	**$M**	$M
The balance comprises temporary differences attributable to:				
Accrued expenses	**3**	-	-	-
Provisions	**162**	-	-	-
Current and prior year losses	**30**	-	-	-
Fixed assets / intangible assets	**675**	-	**(253)**	-
Tax assets/(liabilities)	**870**	-	**(253)**	-
Set off of tax	**(253)**	-	**253**	-
Net tax assets/(liabilities)	**617**	-	-	-

12 Deferred tax assets and liabilities (continued)

	Assets		Liabilities	
	2015	2014	**2015**	2014
	$M	$M	**$M**	$M
Movements:				
Opening balance at 1 July	**-**	-	**-**	-
Credited/(charged) to the income statement	**(12)**	-	**8**	-
Acquired	**873**	-	**(264)**	-
Other	**9**	-	**3**	-
Closing balance 30 June 2015	**870**	-	**(253)**	-
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**870**	-	**(253)**	-

13 Current liabilities - Trade and other payables

	2015	2014
	$M	$M
Trade payables and accruals	**36**	-
Related party payables (note 23)	**9**	-
Legacy Way payable	**118**	-
	163	-

14 Borrowings

	Maturity	**Carrying value**	
		2015	**2014**
		$M	$M
Working capital facilities			
TQ Finance - facility AUD 25 million	Jul 2017	**15**	-
Current borrowings		**15**	-
Capital markets debt			
TQ Finance – Corporate bond AUD 250 million	Dec 2021	**250**	-
TQ Finance – Corporate bond AUD 200 million	Dec 2024	**200**	-
Term debt			
Clem7 – Term debt AUD 270 million	Dec 2016	**270**	
TQ Finance – Capex facility AUD 375 million	Jul 2017	**74**	-
TQ Finance – Term debt AUD 750 million	Jul 2017	**750**	-
TQ Finance – Term debt AUD 750 million	Jul 2019	**750**	-
TQ Finance – Term debt AUD 200 million	Apr 2030	**200**	-
TQ Finance – Bridge facility AUD 350 million	Jul 2016	**350**	-
Net capitalised borrowing costs		**(20)**	-
Non-current borrowings		**2,824**	-

14 Borrowings (continued)

(a) Working capital facility

The Transurban Queensland Finance facility is secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets. In any 12 month period, there must be no outstanding Loan under the Working Capital Facility for a continuous period of 5 business days or more.

(b) Capital markets debt

The Transurban Queensland Finance domestic bonds are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets.

(c) Term debt

The Transurban Queensland Finance facilities are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets. The Clem7 facility is fully secured against the respective rights of the Project T Partnership and their assets.

Covenants

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

Covenant	Threshold
Transurban Queensland Finance Interest Coverage Ratio	Greater than 1.20 times
CLEM7 Interest Coverage Ratio	Greater than 1.20 times

15 Provisions

Current

	2015 $M	2014 $M
Maintenance provision	41	-
	41	-

Non-current

	2015 $M	2014 $M
Maintenance provision	490	-
Provision for contingent consideration	56	-
	546	-

15 Provisions (continued)

Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Contingent consideration $M	Maintenance provision $M
Consolidated - 2015		
Carrying amount at start of year	-	-
Acquired provision	31	519
Legacy Way purchase	23	-
Amounts provided during the year	-	29
Amounts paid/utilised during the year	-	(44)
Unwinding of discount	2	27
Carrying amount at the end of year	56	531

(a) Contingent consideration

The deferred cash payment is based on a set formula of the probability weighted assessment performed by the Group at acquisition date with the expected payment to be $42 million during the financial year ended 30 June 2018 for Go Between Bridge and $32 million during the financial year ended 30 June 2020 for Legacy Way tunnel. The present value of contingent consideration is $33 million for Go Between Bridge and $23 million for Legacy Way tunnel based on the discount rate of 8.25% and forecasted traffic volume based on independent modelling.

(b) Maintenance provision

A maintenance provision is recognised for the present value of the Group's obligations to maintain the tolling assets as required under the Service Concession Arrangements.

16 Current liabilities - Other current liabilities

	2015 $M	2014 $M
Unearned income	**1**	-
Prepaid tolls	**40**	-
	41	-

(a) Unearned income

Unearned income represents amounts received in advance and will be recognised when the income is earned.

(b) Prepaid tolls

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

17 Contributed equity

Share capital

	2015 Number	2014 Number	2015 $M	2014 $M
Fully paid ordinary securities	**3,598,651,928**	42,091,722	**3,599**	43

During the year, the authorised share capital was increased by $3,556,560,206 by the issue of 3,556,560,206 ordinary shares of $1 each.

18 Reserves and accumulated losses

Reserves

	2015 $M	2014 $M
Cash flow hedges	**24**	-
	24	-

	2015 $M	2014 $M
Movements:		
Cash flow hedges		
Opening balance	**-**	-
Revaluation – net of tax	**30**	-
Transfer to net profit	**(6)**	-
Balance 30 June 2015	**24**	-

The cash flow hedge reserve is used to record gains or losses on cash flow hedge instruments, which are used by the Group to mitigate the risk of movements in interest rates. Amounts are reclassified to profit or loss when the transaction to which the hedge is linked (such as the payment of interest) affects profit or loss.

Accumulated losses

Movements in accumulated losses were as follows:

	2015 $M	2014 $M
Balance 1 July 2014	**(20)**	-
Net loss for the year	**(499)**	(20)
Distributions	**(125)**	-
Balance 30 June 2015	**(644)**	(20)

The Transurban Queensland Group comprises Transurban Queensland Invest Pty, Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited and a trust, Transurban Queensland Invest Trust. 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.

19 Reconciliation of cash flow from operating activities

	2015 $'M	2014 $'M
Loss for the year	**(499)**	(20)
Adjustments:		
Depreciation and amortisation	**167**	-
Non-cash net finance costs	**29**	(20)
Net valuation losses transferred to the income statement	**(6)**	-
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	**(6)**	(3)
Movement in deferred taxes	**(20)**	-
Increase in trade and other payables	**28**	-
Increase in provisions	**9**	-
Increase in employee benefits	**2**	-
Increase in other liabilities	**7**	-
Net cash inflow from operating activities	**(289)**	(23)

20 Distributions

	30 June 2015 $M	30 June 2014 $M
Distributions paid during the year		
31 December 2014	**50**	-
31 March 2015	**36**	-
30 June 2015	**39**	-
	125	-

	30 June 2015 Cents	30 June 2014 Cents
Distributions paid during the year (Cents)	**3.5**	-

21 Contingencies

Contingent liabilities

Other than the contingent consideration disclosed below, there are no other significant contingent liabilities or contingent assets not provided for in the financial report.

As a result of the acquisition of the concession assets noted below, the Group may be required to make further payments to the respective vendor's in the event that the traffic and toll revenue performance of the relevant asset exceeds certain criteria. The contingent consideration is recorded at the end of each reporting period at its fair value based on a discount rate of 8.25% and forecasted traffic volume based on independent modelling. 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:

21 Contingencies (continued)

Concession asset	Carrying value $M	Maximum consideration payable $M	Assessment / payment date
Legacy way tunnel	-	200	Jun 2017
Legacy way tunnel	23	Unlimited[1]	Jun 2020
Go-between bridge	33	Unlimited[1]	Jun 2018

No contingent consideration was recognised at June 2014.

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.

22 Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2015 $M	2014 $M
Intangible assets:		
Within one year	**3**	-
Intangible assets	**3**	-

Operating commitments

Commitments in relation to non-cancellable operating contracts are payable as follows:

	2015 $M	2014 $M
Operating commitments payable:		
Within one year	**46**	-
Later than one year but not later than five years	**137**	-
Later than five years	**89**	-
	272	-

23 Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	2015 $M	2014 $M
Related party transactions		
Shareholder loan interest expense	**(65)**	-
Management fees	**(10)**	-
Additional service fee expenses	**(2)**	-
Integration expenses	**(17)**	(9)
	(94)	(9)

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

23 Related party transactions (continued)

Loans to/from related parties

	2015 $M	2014 $M
Outstanding balances with related parties		
Shareholder loans	(750)	-
Related party payables	(9)	-
	(759)	-

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.

24 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Principal Activities	Country of incorporation	% Equity Interest 2015	% Equity Interest 2014
Transurban Queensland Finance Pty Limited	Financing entity	Australia	100	100
QM Assets Pty Limited	Holding entity	Australia	100	-
Project T Partner Hold Co 1 Pty Limited	Holding entity	Australia	100	-
Project T Partner Co 1 Pty Limited	Holding entity	Australia	100	-
Project T Partnership	Road/operating entity	Australia	100	-
Project T Partner Hold Co 2 Pty Limited	Holding entity	Australia	100	-
Project T Partner Co 2 Pty Limited	Holding entity	Australia	100	-
Project T Finance Co Pty Limited	Financing entity	Australia	100	-
Queensland Motorways Holding Pty Limited	Holding entity	Australia	100	-
QML Hold Co Pty Limited	Holding entity	Australia	100	-
Queensland Motorways Pty Limited	Holding entity	Australia	100	-
Gateway Motorway Pty Limited	Road/operating entity	Australia	100	-
Logan Motorways Pty Limited	Road/operating entity	Australia	100	-
Queensland Motorways Management Pty Limited	Road/operating entity	Australia	100	-
GBB Holdings Co Pty Limited	Holding entity	Australia	100	-
GBB Operations Pty Limited	Road/operating entity	Australia	100	-
LW Holding Co Pty Limited	Holding entity	Australia	100	-
LW Operations Pty Limited	Road/operating entity	Australia	100	-
Queensland Motorways Services Pty Limited	Service entity	Australia	100	-
QMH Finance Pty Limited	Financing entity	Australia	100	-
Transurban Queensland Property Trust	Concession leasing	Australia	100	100
Transurban Queensland Property Pty Limited	Trustee	Australia	100	100

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

25 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 (appointed 14 April 2014)
L Petschel (appointed 17 July 2014)
W Ballantine (appointed 14 April 2014)
S Hogg (resigned 14 July 2014)

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:

Name	*Position*
Nick Lattimore	General Manager
Jackson Ross	Integration Manager
David McLoughlin	Head of Assets

Key management personnel compensation

	2015 **$**	2014 $
Short-term employee benefits	**5,808,189**	-
Post-employment benefits	**139,093**	-
Long-term benefits	**54,355**	-
Share-based payments	**2,135,147**	-
Deferred short term Incentives	**721,177**	-
Total remuneration	**8,857,961**	-

26 Remuneration of auditors

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

Amounts received or due and receivable by PricewaterhouseCoopers

	2015 **$**	2014 $
Audit and other assurance services		
Audit of financial reports	**460,000**	-
Total remuneration for PricewaterhouseCooopers	**460,000**	-

27 Events occurring after the reporting period

On 2 July 2015, Transurban Queensland priced approximately $900 million in senior secured notes ('Notes'). Settlement occurred on 22 September 2015. The Notes were issued in three tranches of approximately $200 million, $300 million and $400 million with tenors of 10, 12 and 15 years respectively. The proceeds were used to repay existing debt that was due to reach maturity from July 2016.

Other than the matters outlined above, no other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in future financial years.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 37:

  (i) comply with Accounting Standards and other mandatory professional reporting requirements as described in Note 1, and

  (ii) present fairly the Group's financial position as at 30 June 2015 and 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.

Note 1(a) 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.

John Massey
Director

Wesley Ballantine
Director

Brisbane
22 October 2015

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Independent auditor's report to the members 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

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Pty Limited and Transurban Queensland Invest Trust (the Combined Entity), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and consolidated statement of comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration for Transurban Queensland Group (the consolidated entity). The consolidated entity comprises the Combined Entity and the entities it controlled at year's end or from time to time during the financial year.

Directors of the Combined Entity responsibility for the financial report

The directors of the Combined Entity are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial statements, which forms part of the financial report, is appropriate to meet the needs of the members and unitholders.

The directors of the Combined Entity responsibility also includes such internal control as the directors of the Combined Entity determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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Auditor's opinion

In our opinion, the financial report of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Pty Limited and Transurban Queensland Invest Trust presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2015 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Reissue of financial report

Without qualifying our opinion, we draw attention to the following matter. As indicated in Note 1, the financial report of the Group has been revised and reissued. This audit report supersedes our audit report on the previously issued financial report, dated20 August 2015.

Other Matter

The Group was not required to prepare or lodge an audited financial report for the year ended 30 June 2014. The comparative amounts included in this financial report are therefore unaudited.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting.

As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members 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 and should not be distributed to or used by parties other than Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Pty Limited and Transurban Queensland Invest Trust and the members and unitholders.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
22 October 2015