Transurban Queensland Group

(consolidated 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 2016

Transurban Queensland Group
Financial report - 30 June 2016

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 23 August 2016. 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 consolidated 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 consolidated Group that is Transurban Queensland. The consolidated 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 2016. Throughout the report, the consolidated Group is referred to as the Group.

Directors

The following persons were directors of Transurban Queensland Group during the financial year and up to the date of this report:

Directors
S Charlton
W Ballantine
L Petschel
J Massey
E Rubin
J Gardiner
R Rolfe (appointed 26 April 2016)

Statutory results

• Loss of $243 million before income tax (2015: loss of $525 million)
• Loss of $111 million before income tax excluding significant items (2015: loss of $107 million)
• Profit before depreciation and amortisation, net finance costs and income taxes ('EBITDA') of $216 million (2015: loss of $125 million)
• EBITDA excluding significant items of $348 million (2015: EBITDA of $293 million)

Principal activities

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

Operating and financial review

Business overview
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, Clem 7 Tunnel, Go Between Bridge, Legacy Way tunnel and AirportlinkM7 tunnel.

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

Operating and financial review (continued)

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. At the heart of the Group's business strategy is to be a key partner of choice for the State and local governments and an organisation that meets the needs of our customers and the community.

This strategy is achieved through management of the Group's existing concession assets, involvement in the transport policy debate and by applying our core capabilities to the road infrastructure challenges in the Queensland market.

In delivering this objective, the Group has fostered core capabilities in the following areas:

- Network planning and forecasting
- Community engagement
- Development and delivery
- Technology
- Operations and customer service

Changes during the year
On 1 April 2016, the Group acquired AirportlinkM7 for $1,870 million, plus stamp duty of $108 million and transaction costs of $10 million.

Group financial performance

Statutory results

	FY16 $M	**FY15 $M**
Toll revenue (1)	501	424
EBITDA	216	(125)
Net loss	(221)	(499)
EBITDA excluding significant items	348	243
Net loss after tax excluding significant items	(89)	(81)

(1) Toll revenue includes toll revenue and service and fee revenue

Concession asset performance

	Toll revenue contribution (1)	**Traffic Growth (ADT) (2)**	**Toll revenue growth (2)**
Gateway Motorway	41.9%	1.4%	5.8%
Logan Motorway	34.3%	4.4%	7.9%
CLEM7 tunnel	10.2%	(0.3%)	1.8%
Go Between Bridge	2.8%	(0.8%)	1.4%
Legacy Way tunnel	5.4%	N/A	N/A
AirportlinkM7 tunnel	5.4%	N/A	N/A

(1) Toll revenue contributions are calculated based on toll revenue for the period ended 30 June 2016.

(2) AirportlinkM7 was acquired on 1 April 2016 and Legacy Way commenced tolling on 26 June 2015, thus comparative data is not available for these assets.

Operating and financial review (continued)

Development

The Group's current development projects include:

Gateway Upgrade North
• Transurban Queensland is managing the delivery of the project on behalf of the Queensland and Federal Governments
• Completion is expected in 2018

Logan Enhancement Project
• Entered exclusive negotiations and design and construction procurement underway
• Final business case to be submitted in late 2016
• Project cost expected to be $450 million
• Construction expected to commence early 2017 and be completed early 2019

Inner City Bypass ('ICB')
• Brisbane City Council has entered into discussions with Transurban Queensland for the potential delivery of the ICB upgrade
• Project cost expected to be $80 million
• Completion is expected in 2018

Equity issue

In April 2016 the Group raised $947 million of equity from its shareholders to fund the acquisition of AirportlinkM7. The new equity instruments were issued in proportion with the respective ownership percentage of each of the consortium partners.

Financing activities

During the reporting period, Transurban Queensland completed a number of financing activities, including:

September 2015	The Group issued USD$641 million of 10, 12 and 15 year US private placement notes and AUD$70 million of 15 year US private placement notes
April 2016	The Group raised AUD$950 million of term bank debt to fund the acquisition of AirportlinkM7
June 2016	The Group issued AUD$280 million of senior secured 7 year notes in the Swiss market

Operating and financial review (continued)

Tax

Transurban Queensland operates as a stapled group comprising two corporate entities, Transurban Queensland Holdings 1 Pty Limited and Transurban Queensland Holdings 2 Pty Limited and a trust, Transurban Queensland Invest 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.

The Group is structured 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 that would otherwise prevent a company from paying dividends. The stapled structure allows TQIT to make distributions to shareholders throughout the life of the Group's assets.

Business opportunities and risks

The following are key opportunities that may impact on Transurban Queensland's financial and operating result in future periods:

- Ability to leverage capabilities to enhance the Queensland network
- Greater than forecast traffic volumes, including favourable movements in vehicle class mix
- Implementation of enhanced technology and systems
- Ability to harness knowledge and experience to drive operations and maintenance
- Identification of new development opportunities in the Queensland market
- Application of sustainability initiatives to enhance road user and local community experience

The following are key risks that may impact on Transurban Queensland's financial and operating result in future periods:

- Reduced traffic volumes, including unfavourable movements in vehicle class mix, or an inability to grow traffic volumes
- Change in government policies
- Competitor growth or behaviour
- Access to suitable financing arrangements
- Safety incidents through operations or driver behaviour
- Dependency on the services of key contractors and counterparties
- Unfavourable changes to market or operating conditions
- Cyber and information protection
- Failure of technical infrastructure

Risk management

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

The Group has a risk framework in place to ensure a rigorous approach to identifying, analysing and evaluating risks. The framework is overseen by the Audit and Risk Review Committee and is actively managed by the leadership team.

Distributions

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

	2016 $M	2015 $M
Quarter ended:		
30 September	**28**	-
31 December	**22**	50
31 March	**35**	36
30 June	**22**	39
	107	125

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

No matter or circumstance has arisen since 30 June 2016 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Audit services

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

	2016 $	2015 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and review of financial statements	**540,000**	460,000
Other assurance services	**70,000**	-
Total remuneration for PricewaterhouseCoopers	**610,000**	460,000

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 continues 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
23 August 2016

Transurban Queensland Group
Financial report - 30 June 2016

Contents

This financial report covers the consolidated 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 23 August 2016. The Directors have the power to amend and reissue the financial statements.

	Notes	2016 $M	2015 $M
Revenue			
Toll revenue		**501**	424
Other revenue		**11**	5
Total revenue	3	**512**	429
Expenses			
Employee benefits		**(22)**	(29)
Management fees		**(10)**	(10)
Administrative expenses		**(20)**	(22)
Road operating costs	5	**(112)**	(75)
Transaction and integration costs	4	**(132)**	(418)
Total expenses		**(296)**	(554)
Profit/(Loss) before depreciation, amortisation, net finance costs and income taxes		**216**	(125)
Depreciation	10	**(6)**	(8)
Amortisation	12	**(183)**	(159)
Total depreciation and amortisation		**(189)**	(167)
Net finance costs	6	**(270)**	(233)
Loss before income tax		**(243)**	(525)
Income tax benefit	7	**22**	26
Loss for the year		**(221)**	(499)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cashflow hedges, net of tax		**(70)**	(30)
Net valuation losses transferred to the income statement		**-**	6
Other comprehensive income for the year, net of tax		**(70)**	(24)
Total comprehensive income for the year		**(291)**	(523)

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

Transurban Queensland Group
Consolidated balance sheet
As at 30 June 2016

	Notes	2016 $M	2015 $M
ASSETS			
Current assets			
Cash and cash equivalents	8	**207**	68
Trade and other receivables	9	**31**	27
Total current assets		**238**	95
Non-current assets			
Derivative financial instruments	11	**-**	14
Property, plant and equipment	10	**12**	14
Deferred tax assets	13	**682**	617
Intangible assets	12	**8,315**	6,620
Total non-current assets		**9,009**	7,265
Total assets		**9,247**	7,360
LIABILITIES			
Current liabilities			
Trade and other payables	14	**170**	163
Maintenance provisions	16	**55**	41
Other provisions		**2**	1
Derivative financial instruments	11	**4**	-
Borrowings	15	**-**	15
Other current liabilities	17	**47**	41
Total current liabilities		**278**	261
Non-current liabilities			
Maintenance provisions	16	**533**	490
Other provisions	16	**41**	57
Borrowings	15	**3,949**	2,824
Shareholder loans	25	**852**	750
Derivative financial instruments	11	**114**	47
Total non-current liabilities		**5,489**	4,168
Total liabilities		**5,767**	4,429
Net assets		**3,480**	2,931
EQUITY			
Contributed equity	18	**4,546**	3,599
Reserves	19	**(94)**	(24)
Accumulated losses	19	**(972)**	(644)
Total equity		**3,480**	2,931

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

Transurban Queensland Group
Consolidated statement of changes in equity
For the year ended 30 June 2016

	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**
Balance at 1 July 2015	3,599	(24)	(644)	2,931
Comprehensive income				
Loss for the year	-	-	(221)	(221)
Other comprehensive income	-	(70)	-	(70)
Total comprehensive loss	**-**	**(70)**	**(221)**	**(291)**
Transactions with owners in their capacity as owners:				
Issue of ordinary shares	947	-	-	947
Distributions provided for or paid	-	-	(107)	(107)
	947	-	(107)	840
Balance at 30 June 2016	**4,546**	**(94)**	**(972)**	**3,480**

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 2016

	Notes	2016 $M	2015 $M
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**546**	478
Other revenue		**5**	-
Payments to suppliers and employees		**(169)**	(137)
Transaction and integration costs related to acquisitions		**(23)**	(418)
Payments for maintenance of intangible assets		**(13)**	(44)
Interest received		**2**	2
Interest / debt fees paid		**(164)**	(105)
Shareholder loans interest paid		**(65)**	(65)
Net cash inflow (outflow) from operating activities	21	**119**	(289)
Cash flows from investing activities			
Payments for acquisition of subsidiary, net of cash acquired	20	**(1,869)**	(6,397)
Payments for acquisition of intangible assets		**(125)**	-
Payments for fixed assets		**(12)**	(10)
Net cash (outflow) from investing activities		**(2,006)**	(6,407)
Cash flows from financing activities			
Proceeds from borrowings (net of costs)		**2,299**	3,213
Repayment of borrowings		**(1,215)**	(650)
Distributions paid		**(107)**	(125)
Proceeds from shareholder loans		**102**	750
Proceeds from issues of shares and other equity securities	18	**947**	3,556
Net cash inflow from financing activities		**2,026**	6,744
Net increase in cash and cash equivalents		**139**	48
Cash and cash equivalents at the beginning of the financial year		**68**	20
Cash and cash equivalents at end of year	8	**207**	68

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 consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

Formation of the Transurban Queensland Group

The Transurban Queensland Group consists of Transurban Queensland Invest Pty Limited, Transurban Queensland Invest Trust, Transurban Queensland Holdings 1 Pty Limited and Transurban Queensland Holdings 2 Pty ("companies") and their controlled entities.

Each of the companies is controlled by the Transurban group (a stapled group) listed on the ASX. The Transurban Queensland group was formed when Transurban established Transurban Queensland Invest Pty Limited, Transurban Queensland Invest Trust, Transurban Queensland Holdings 1 Pty Limited and Transurban Queensland Holdings 2 Pty which then acquired the relevant assets of Queensland Motorways in 2014.

The Group is a for-profit entity.

Compliance with accounting standards

The Transurban Queensland consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards and other mandatory professional requirements in Australia. The financial information also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Balance sheet assets and liabilities

The Transurban Queensland consolidated group consists of all of the assets and liabilities of the companies. Assets and liabilities arising from transactions between the companies and their relevant subsidiaries have been eliminated in the consolidated financial statements of the Transurban Queensland Group.

Income statement, statement of comprehensive income and cash flow

The income statement, statement of comprehensive income and cash flow of Transurban Queensland consists of the income statements of the companies and their relevant subsidiaries. Transactions between the consolidated entities have been eliminated in the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement.

Capital structure

Because the Transurban Queensland group does not have a legal parent, the share capital and other equity items presented are the consolidated balances of the companies after intercompany transactions have been eliminated from profit and retained earnings.

Historical cost convention

These financial statements have been prepared under the historical cost basis, 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.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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 $119 million including payments of $23 million in transaction and integration costs relating to acquisitions;
- The Group has $203 million of undrawn current borrowing facilities available.

(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 the Group (refer to note 1(h).

(c) New accounting standards and interpretations

The Group has not changed or amended any accounting policies as a result of new or revised accounting standards during the annual reporting period commencing 1 July 2015. There were no new or amended accounting standards issued during the annual reporting period that are effective for the report period commencing 1 July 2015.

(d) 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 2016 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 has undertaken an assessment of the impact of this standard on the Group's financial statements and does not believe that the impact will be significant to the accounting for the Group's financial assets and liabilities.	1 January 2018	1 July 2018

1 Summary of significant accounting policies (continued)

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

Reference	Description	Impact on the Group	Application of the standard	Application by the Group
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.	Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2018	1 July 2018
AASB 16 Leases	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.	Management has undertaken an assessment of the impact of this standard on the Group's financial statements and does not believe that the impact will be significant to the accounting of leases in the Group financial statements.	1 January 2019	1 July 2019
AASB 2015-1	These amendments clarify various Australian accounting standards.	The impact of the application of this standard will not be material to the Group.	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.	The impact of the application of this standard will not be material to the Group.	1 January 2016	1 July 2016
AASB 2016-1	Amendment to AASB 112 clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They do not change the underlying principles for the recognition of deferred tax assets.	The Group for tax purposes records all assets at cost and does not revalue assets to fair value. Therefore the impact of the application of the new standard is not expected to be material.	1 January 2017	1 July 2017

1 Summary of significant accounting policies (continued)

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

Reference	Description	Impact on the Group	Application of the standard	Application by the Group
AASB 2016-2	Amendment to AASB 107 introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.	Although a formal assessment has not been completed the impact of the application of the new standard will be additional disclosure in the Group financial statements around the financial liabilities held by the Group.	1 January 2017	1 July 2017

(e) Revenue recognition

The Group generates the following types of revenue:

- Toll 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 or revenue for the period is the tax payable 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 charge 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 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.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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. 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 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.

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

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 rate, being 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 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 in the balance sheet.

(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.

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.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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 11. Movements in the hedging reserve in shareholders' equity are shown in note 19. 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:

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. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

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 and are included in other income or other expenses.

(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(i).

(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 12.

Where work is in progress, it is classified as assets under construction.

Goodwill

Goodwill is measured as described in note 1(h). 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.

1 Summary of significant accounting policies (continued)

(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 profit or loss as other income or finance costs.

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

1 Summary of significant accounting policies (continued)

(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 or options are shown in equity as a deduction, 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.

(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 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 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.

Fair value of derivatives and other financial instruments

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.

Provision for contingent consideration

Refer to note 23.

Estimated impairment of intangible assets and cash generating units

Refer to note 1(i).

3 Segment information

The Group operates six road assets linked to its service concession arrangements, reflecting the structure used by the Group's Board (chief operating decision maker) to assess the performance of the Group. The Group's corporate function is not an operating segment under the requirements of AASB 8 as its revenue generating activities are only incidental to the business.

The Board assesses the performance of the assets based on a measure of earnings before interest, tax, depreciation and amortisation expenses ('EBITDA') excluding the impact of significant items ('Underlying EBITDA'). This is a measure used internally to provide additional clarity into the underlying performance of the Group's assets.

2016	**Gateway** $M	**Logan** $M	**Clem7** $M	**Go Between Bridge** $M	**Legacy Way** $M	**Airportlink M7** $M	**Corporate** $M	**Total** $M
Toll revenue	210	173	51	13	27	27	-	501
Other revenue	2	2	-	-	-	-	7	11
Total revenue	**212**	**175**	**51**	**13**	**27**	**27**	**7**	**512**
Underlying EBITDA	157	128	27	10	(5)	19	12	348
Significant items	-	-	-	-	-	-	(132)	(132)
EBITDA	**157**	**128**	**27**	**10**	**(5)**	**19**	**(120)**	**216**
Depreciation and amortisation	(74)	(74)	(16)	(3)	(9)	(13)	-	(189)
Net finance costs	(8)	(16)	(19)	(2)	(2)	(13)	(210)	(270)
Profit/(Loss) before tax	75	38	(8)	5	(16)	(7)	(330)	(243)
Income tax expense	(14)	(16)	(6)	(8)	(28)	-	94	22
Profit/(Loss) after tax	61	22	(14)	(3)	(44)	(7)	(236)	(221)
Total Assets	172	258	787	111	413	2,015	5,491	9,247
Total Liabilities	(299)	(499)	(314)	(24)	(37)	(1,089)	(3,505)	(5,767)

3 Segment information (continued)

2015	**Gateway** $M	**Logan** $M	**Clem7** $M	**Go Between Bridge** $M	**Legacy Way** $M	**Airportlink M7** $M	**Corporate** $M	**Total** $M
Toll revenue	200	160	50	14	-	-	-	424
Other revenue	5	-	-	-	-	-	-	5
Total revenue	**205**	**160**	**50**	**14**	**-**	**-**	**-**	**429**
Underlying EBITDA	157	106	24	10	-	-	(4)	293
Significant items	-	-	-	-	-	-	(418)	(418)
EBITDA	**157**	**106**	**24**	**10**	**-**	**-**	**(422)**	**(125)**
Depreciation and amortisation	(74)	(74)	(16)	(3)	-	-	-	(167)
Net finance costs	(8)	(18)	(24)	(3)	-	-	(180)	(233)
Profit/(Loss) before tax	75	14	(16)	4	-	-	(602)	(525)
Income tax expense	5	(8)	(2)	(2)	-	-	33	26
Profit/(Loss) after tax	80	6	(18)	2	-	-	(569)	(499)
Total Assets	120	238	781	135	436	-	5,650	7,360
Total Liabilities	(250)	(441)	(305)	(37)	(141)	-	(3,255)	(4,429)

4 Significant items

	2016 $M	2015 $M
Transaction and integration costs		
Transaction costs	**10**	13
Integration costs	**14**	21
Stamp duty	**108**	384
	132	418

Transaction and integration costs incurred relate to the acquisition and integration of AirportlinkM7 of $120 million and the ongoing integration of Queensland Motorways of $12m (30 June 2015: $418m).

Of the $120m acquisition and integration costs for AirportlinkM7, stamp duty of $108m will be paid in FY17.

5 Expenses

	2016 $M	2015 $M
Road operating costs		
Tolling expenses	**20**	14
Asset management	**59**	32
Maintenance expense	**33**	29
Total road operating costs	**112**	75

6 Net finance costs

	2016 $M	2015 $M
Finance income		
Interest income on bank deposits	**3**	2
Total finance income	**3**	2
Finance costs		
Interest and finance charges paid/payable	**(181)**	(141)
Related party interest and finance charges	**(65)**	(65)
Unwinding of discount on liabilities	**(27)**	(29)
Total finance costs	**(273)**	(235)
Net finance costs	**(270)**	(233)

7 Income tax expense

(a) Income tax expense

	2016 $M	2015 $M
Current tax	(27)	(30)
Deferred tax	3	4
Under provision in prior years	2	-
	(22)	(26)
Deferred income tax (benefit) expense included in income tax benefit comprises:		
Decrease (increase) in deferred tax assets (note 13)	1	12
(Decrease) increase in deferred tax liabilities (note 13)	2	(8)
	3	4

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2016 $M	2015 $M
Loss before income tax benefit	(243)	(525)
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	(73)	(157)
Trust income not subject to tax	43	-
Trust losses not claimable	-	98
Change in tax base on concession assets	32	-
Prior year tax losses recognised	(23)	-
Non-deductible stamp duty	-	24
Under (over) provision in prior years	2	-
Sundry items	(3)	9
Income tax expense	(22)	(26)

8 Current assets - Cash and cash equivalents

	2016 $M	2015 $M
Cash at bank and on hand	99	68
Stamp duty bond - AirportlinkM7	108	-
	207	68

The stamp duty bond for AirportlinkM7 is not available for general use at 30 June 2016.

All cash balances are interest bearing.

9 Current assets - Trade and other receivables

	2016 $M	2015 $M
Trade receivables	29	32
Provision for impairment of receivables (a)	(1)	(6)
	28	26
Other receivables	2	1
Prepayments	1	-
	31	27

(a) Impaired trade receivables

As at 30 June 2016 current trade receivables of the Group with a nominal value of $1 million (2015: $6 million) were considered impaired and accordingly the Group held a provision for impairment of $1 million (2015: $6 million).

10 Property Plant and Equipment

Property, plant and equipment

	Buildings & improvements $M	Plant and equipment $M	Assets under construction $M	Total $M
Year ended 30 June 2015				
Additions	-	4	2	6
Additions from acquisitions	1	10	5	16
Transfers	-	3	(3)	-
Depreciation	-	(8)	-	(8)
Closing net book amount	1	9	4	14
At 30 June 2015				
Cost or fair value	3	17	4	24
Accumulated depreciation	(2)	(8)	-	(10)
Net book amount	1	9	4	14

10 Property Plant and Equipment (continued)

Property, plant and equipment (continued)

	Buildings & improvements $M	Plant and equipment $M	Assets under construction $M	Total $M
Year ended 30 June 2016				
Opening net book amount	1	9	4	14
Additions	-	3	1	4
Transfers	-	1	(1)	-
Depreciation	-	(6)	-	(6)
Closing net book amount	1	7	4	12
At 30 June 2016				
Cost	3	21	4	28
Accumulated depreciation	(2)	(14)	-	(16)
Net book amount	1	7	4	12

Disposal of fully depreciated assets is not presented in the above table due to nil net book value of the assets disposed.

11 Derivative financial instruments

	2016 $M	2015 $M
Non-current assets		
Interest rate swap contracts - cash flow hedges	**-**	14
	-	14
Current liabilities		
Interest rate swap contracts - cash flow hedges	**4**	-
	4	-
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**84**	47
Cross currency swap contracts - cash flow hedges	**30**	-
	114	47

11 Derivative financial instruments (continued)

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.

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 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 2016, 100% of the Group's interest rate exposure on variable rate borrowings was hedged (30 June 2015: 80.6%).

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

	2016 $M	2015 $M
Cash	**99**	68
Stamp duty bond - AirportlinkM7	**108**	-
Floating rate borrowings	**(2,520)**	(2,609)
Interest rate swaps (notional principal amount)	**2,520**	2,103
Net exposure to interest rate risk	**207**	(438)

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

	2016 $M	2015 $M
Interest rates +100bps	**2**	(4)
Interest rates -100bps	**(2)**	4

11 Derivative financial instruments (continued)

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 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:

	2016 **$M**	2015 $M
Floating rate borrowings		
- Expiring beyond one year	**203**	311
	203	311

11 Derivative financial instruments (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities

The amounts disclosed in the below 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.

At 30 June 2016 $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 (assets)/ liabilities**
Trade payables	**170**	**-**	**-**	**-**	**-**	**-**	**170**	**170**
Borrowings	**138**	**544**	**595**	**837**	**558**	**2,432**	**5,104**	**3,949**
Interest rate swaps	**23**	**23**	**21**	**7**	**6**	**16**	**96**	**88**
Cross currency swaps	**22**	**21**	**21**	**21**	**20**	**(107)**	**(2)**	**30**
Total non-derivatives	**353**	**588**	**637**	**865**	**584**	**2,341**	**5,368**	**4,237**

At 30 June 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 (assets)/ liabilities**
Trade payables	163	-	-	-	-	-	163	163
Borrowings	103	702	901	78	827	2,528	5,139	2,839
Interest rate swaps	23	21	11	5	(1)	(31)	28	33
Total non-derivatives	289	723	912	83	826	2,497	5,330	3,035

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.

11 Derivative financial instruments (continued)

Liquidity risk (continued)

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.

12 Non-current assets - Intangible assets

	Goodwill $M	Service Concession Assets $M	Construction in progress $M	Total $M
Year ended 30 June 2015				
Opening net book amount	-	-	-	-
Additions	-	139	4	143
Acquisitions	205	6,431	-	6,636
Amortisation charge	-	(159)	-	(159)
Net book amount	205	6,411	4	6,620
At 30 June 2015				
Cost	205	6,570	4	6,779
Accumulation amortisation and impairment	-	(159)	-	(159)
Net book amount	205	6,411	4	6,620
Year ended 30 June 2016				
Opening net book amount	205	6,411	4	6,620
Additions	-	7	8	15
Acquisitions	-	1,880	-	1,880
Transfers	-	2	(2)	-
Amortisation charge	-	(183)	-	(183)
Change in deferred payments (note 16)	-	(17)	-	(17)
Net book amount	205	8,100	10	8,315
At 30 June 2016				
Cost	205	8,442	10	8,657
Accumulated amortisation and impairment	-	(342)	-	(342)
Net book amount	205	8,100	10	8,315

12 Non-current assets - Intangible assets (continued)

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

Concession assets
Concession assets represent the Group's right to operate roads under Service Concession Arrangements. All concession assets are classified as intangible assets and are amortised on a straight line basis over the term of the right to operate the asset. The Group has the right to toll the concession assets for the concession period.

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 35 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.

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 Holdings Pty Limited and the Brisbane City Council. The concession grants the right to toll and operate Clem7 Tunnel for the concession period of 35 years, ending 5 August 2051. At the end of the concession period, all concession assets are to be returned to the Brisbane City Council.

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 47 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 asset 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 49 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.

AirportLink M7
On 1 April 2016 the Group's subsidiaries APL Co Pty Limited and TQ APL Asset Trust acquired the concession and lease of AirportlinkM7 from the previous owner BrisConnections. The Concession Deed grants the right to toll and operate the AirportlinkM7 Tunnel for a period of 37 years, ending 30 June 2053. At the end of the concession period, all concession assets are to be returned to the Queensland State Government.

12 Non-current assets - Intangible assets (continued)

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 recognized 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.

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 the same set of assumptions up to the end of the applicable concession period:

	2016	**2015**
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.

13 Deferred tax assets and liabilities

	Assets		Liabilities	
	2016 $M	2015 $M	**2016 $M**	2015 $M
The balance comprises temporary differences attributable to:				
Accrued expenses	**5**	3	**-**	-
Provisions	**179**	162	**-**	-
Current and prior year losses	**59**	30	**-**	-
Fixed assets/intangibles	**574**	675	**(176)**	(253)
Cash flow hedges	**41**	-	**-**	-
Tax assets/(liabilities)	**858**	870	**(176)**	(253)
Set-off of tax	**(176)**	(253)	**176**	253
Net tax assets/(liabilities)	**682**	617	**-**	-

	Assets		Liabilities	
	2016 $M	2015 $M	**2016 $M**	2015 $M
Movements:				
Opening balance at 1 July	**870**	-	**(253)**	-
Credited to the statement of comprehensive income	**(1)**	(12)	**(2)**	8
Credited/(charged) to equity	**41**	-	**-**	-
Acquired	**4**	873	**-**	(264)
Transfer from deferred tax assets liabilities	**(82)**	-	**82**	-
Other	**26**	9	**(3)**	3
Closing balance 30 June	**858**	870	**(176)**	(253)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**858**	870	**(176)**	(253)

14 Current liabilities - Trade and other payables

	2016 $M	2015 $M
Current liabilities		
Trade payables and accruals	**49**	36
Legacy Way payable	**-**	118
Related party payables	**12**	9
AirportlinkM7 stamp duty payable	**108**	-
Current tax liabilities	**1**	-
	170	163

15 Borrowings

	Maturity	2016 Carrying amount $M	2015 Carrying amount $M
Working capital facilities			
TQ Finance - facility AUD 25 million	Jul 2017	-	15
TQ APL Finance - facility AUD 20 million	Apr 2019	-	-
Current borrowings		**-**	15
Capital markets debt			
TQ Finance - Corporate bond AUD 250 million	Dec 2021	**250**	250
TQ Finance - Corporate bond AUD 200 million	Dec 2024	**200**	200
U.S. Private Placement - Tranche A USD 155 million	Sep 2025	**208**	-
U.S. Private Placement - Tranche B USD 230 million	Sep 2027	**310**	-
U.S. Private Placement - Tranche C USD 256 million	Sep 2030	**345**	-
U.S. Private Placement - Tranche D AUD 70 million	Sep 2030	**70**	-
EMTN CHF 200 million	Jun 2023	**275**	-
Term debt			
Clem7 - Term debt AUD 270 million (1)	Sep 2015	-	270
TQ Finance - Capex facility AUD 158 million (2)	Jul 2017	-	74
TQ Finance - Term debt AUD 420 million (3)	Jul 2017	**420**	750
TQ Finance - Term debt AUD 750 million	Jul 2019	**750**	750
TQ Finance - Term debt AUD 200 million	Apr 2030	**200**	200
TQ Finance - Bridge facility AUD 350 million (1)	Sep 2015	-	350
TQ APL Finance - Term debt AUD 475 million	Apr 2019	**475**	-
TQ APL Finance - Term debt AUD 475 million	Apr 2021	**475**	-
Net capitalised borrowing costs		**(29)**	(20)
Non-current borrowings		**3,949**	2,824

(1) These facilities were repaid during FY16.
(2) This facility was reduced from $375m during FY16.
(3) This facility was reduced from $750m during FY16.

(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; and

The AirportlinkM7 facility is fully secured against the respective rights of APL Hold Co Pty Limited, APL Co Pty Limited, TQ APL Hold Trust, TQ APL Asset Trust and their assets. At 30 June 2016 the facility was undrawn.

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.

15 Borrowings (continued)

(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;

A Transurban Queensland EMTN program was established in March 2016 with a program limit of USD$2 billion. Under the program, Transurban Queensland may from time to time issue notes denominated in any currency. These 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.

(c) U.S. private placement

The Transurban Queensland U.S private placement 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.

(d) 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 Clem 7 facility was fully secured against the respective rights of the Project T Partnership and their assets; and

The AirportlinkM7 facility is fully secured against the respective rights of APL Hold Co Pty Limited, APL Co Pty Limited, TQ APL Hold Trust, TQ APL Asset Trust 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
AirportLink M7 Finance Interest Coverage Ratio	Greater than 1.20 times

16 Provisions

	2016 Current $M	2016 Non-current $M	2015 Current $M	2015 Non-current $M
Maintenance provision	**55**	**533**	41	490

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated - 2016	**Contingent liability** $M	**Maintenance provision** Current $M	**Maintenance provision** Non-current $M
Carrying amount at the start of the year	56	41	490
Acquisition of subsidiary	-	4	10
Amounts provided during the year	-	33	-
Amounts paid/utilised during the year	-	(15)	-
Revaluation of contingent consideration	(17)	-	-
Unwinding of discount	2	-	25
Transfer	-	(8)	8
Carrying amount at end of year	41	55	533

Consolidated - 2015	**Contingent liability** $M	**Maintenance provision** Current $M	**Maintenance provision** Non-current $M
Carrying amount at the start of the year	-	-	-
Acquired provision	54	56	463
Amounts provided during the year	-	29	-
Amounts paid/utilised during the year	-	(44)	-
Unwinding of discount	2	-	27
Carrying amount at end of year	56	41	490

(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 $18 million during the financial year ended 30 June 2018 for Go Between Bridge and $35 million during the financial year ended 30 June 2020 for Legacy Way tunnel. The present value of contingent consideration is $15 million for Go Between Bridge and $26 million for Legacy Way tunnel based on the discount rate of 8.2% 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.

17 Current liabilities - Other current liabilities

	2016 $M	2015 $M
Unearned income	**4**	1
Prepaid tolls	**43**	40
	47	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 represents amounts received from customers and held on deposit until the charge is incurred by the user.

18 Contributed equity

Share capital	2016 Shares	2015 Shares	2016 $M	2015 $M
Fully paid ordinary securities	**4,545,973,068**	3,598,651,928	**4,546**	3,599

During the year, the authorised share capital was increased by $947,321,140 by the issue of 947,321,140 ordinary shares of $1 each.

19 Reserves and retained earnings

Reserves

	2016 $M	2015 $M
Cash flow hedges	**94**	24
	94	24

	2016 $M	2015 $M
Movements:		
Cash flow hedges		
Opening balance	**24**	-
Revaluation - net of tax	**70**	30
Transfer to net profit	**-**	(6)
Balance 30 June	**94**	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.

19 Reserves and retained earnings (continued)

Accumulated losses

Movements in retained earnings were as follows:

	2016 $M	2015 $M
Balance 1 July	**(644)**	(20)
Loss for the year	**(221)**	(499)
Distributions	**(107)**	(125)
Balance 30 June	**(972)**	(644)

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 distributions. The trust enables distributions to be made to security holders throughout the life of the asset.

20 Business combinations

Purchase consideration - cash outflow

AirportlinkM7

On 24 November 2015, the Group announced that it had reached agreement to acquire the AirportlinkM7 concession. The acquisition was completed on 1 April 2016.

AirportlinkM7 is an urban tunnel in Brisbane, Australia and is adjacent to two of the Group's other concession assets. The tunnel is complementary to the Group's network and contributes additional scale, a long-dated concession ending June 2053, investment potential and strategic value to the Group's current portfolio.

	$M
Purchase consideration	
Cash paid	**1,870**
Total purchase consideration	**1,870**

The consideration of $1,870 million was paid on 1 April 2016 with an additional $0.5 million payment made in June 2016 as a working capital adjustment.

	$M
Reconciliation of purchase consideration to cash acquired	
Cash paid	**1,870**
Less: Cash acquired	**(1)**
Total purchase consideration	**1,869**

20 Business combinations (continued)

Purchase consideration - cash outflow (continued)

Acquisition-related costs
Total acquisition and integration costs incurred to date are $120 million, inclusive of $108 million of stamp duty, $10 million transaction costs and $2 million of integration costs. The total costs have been incurred in the current financial year. These acquisition costs are not included in the purchase consideration disclosed above.

Identifiable assets acquired and liabilities assumed
The final fair values of the assets and liabilities of AirportlinkM7 as at acquisition date are as follows:

	Fair value $M
Cash	1
Trade receivables	2
Deferred tax asset	4
Intangible assets - concessions	1,880
Trade payables	(3)
Maintenance provision	(14)
	1,870

Revenue and profit contribution
From the date of acquisition to 30 June 2016, revenue of $27 million and a statutory loss after taxation of $125 million was included in profit or loss with regard to AirportlinkM7. Excluding transaction and integration costs related to the acquisition, AirportlinkM7 contributed a net loss after taxation of $5 million.

If the acquisition had occurred on 1 July 2015, annualised revenue of $109 million and a statutory loss after taxation of $140 million would have been recognised for the year ended 30 June 2016. Excluding significant items related to the acquisition, the net loss after taxation would have been $20 million. These amounts have been calculated using the subsidiaries' results and adjusting for one-off costs not related to the ongoing operations of the business.

21 Reconciliation of cash flow from operating activities

	2016 $M	2015 $M
Loss for the year	(221)	(499)
Adjustment for		
Depreciation and amortisation	189	167
Non-cash net finance costs	41	29
Net valuation losses transferred to the income statement	-	(6)
Change in operating assets and liabilities:		
Movement in trade and other receivables	8	(6)
Movement in deferred taxes	(49)	(20)
Movement in trade and other payables	100	28
Movement in provisions	45	9
Movement in employee benefits	-	2
Movement in other liabilities	6	7
Net cash inflow (outflow) from operating activities	119	(289)

22 Distributions

	2016 $M	2015 $M
Distributions paid during the year		
30 September 2015	**28**	-
31 December 2015	**22**	50
31 March 2016	**35**	36
30 June 2016	**22**	39
	107	125

23 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 8.2% 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:

2016

Concession asset	Carrying value $M	Maximum consideration payable $M	Assessment / payment date
Legacy way tunnel	-	200	Jun 2017
Legacy way tunnel	26	Unlimited (a)	Jun 2020
Go-between bridge	15	Unlimited (a)	Jun 2018

2015

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

a. 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.

24 Commitments

Capital commitments

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

	2016 $M	2015 $M
Intangible assets:		
Within one year	**10**	3
Later than one year but not later than five years	**33**	-
Intangibles	**43**	3

Operating commitments

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

	2016 $M	2015 $M
Operating commitments payable:		
Within one year	**74**	46
Later than one year but not later than five years	**184**	137
Later than five years	**71**	89
	329	272

25 Related party transactions

Transactions with other related parties

The following transactions occurred with related parties:

	2016 $M	2015 $M
Related party transactions		
Shareholder loan interest expense	**(65)**	(65)
Management fees	**(10)**	(10)
Additional service fees expense	**(11)**	(2)
Integration expenses	**(10)**	(17)
	(96)	(94)

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

25 Related party transactions (continued)

Transactions with other related parties (continued)

Loans to/from related parties

	2016 $M	2015 $M
Outstanding balances with related parties		
Shareholder loans	(852)	(750)
Related party payables	(12)	(9)
	(864)	(759)

Shareholder loan notes

The shareholder loan notes comprise two separate issuances as follows:

• $750m 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.

• $102m of interest-free loan notes issued in April 2016, which are redeemable on 31 July 2053.

The shareholder loan notes are unsecured.

Provision for doubtful debts

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.

26 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 2016	2015
Transurban Queensland Finance Pty Limited	Financing entity	Australia	100	100
QM Assets Pty Limited	Holding entity	Australia	100	100
Project T Partner Hold Co 1 Pty Limited	Holding entity	Australia	100	100
Project T Partner Co 1 Pty Limited	Holding entity	Australia	100	100
Project T Partnership	Road/operating entity	Australia	100	100
Project T Partner Hold Co 2 Pty Limited	Holding entity	Australia	100	100
Project T Partner Co 2 Pty Limited	Holding entity	Australia	100	100
Project T Finance Co Pty Limited	Financing entity	Australia	100	100
Queensland Motorways Holding Pty Limited	Holding entity	Australia	100	100
QML Hold Co Pty Limited	Holding entity	Australia	100	100
Queensland Motorways Pty Limited	Holding 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 Holdings Co Pty Limited	Holding entity	Australia	100	100
GBB Operations Pty Limited	Road/operating entity	Australia	100	100
LW Holding Co Pty Limited	Holding entity	Australia	100	100
LW Operations Pty Limited	Road/operating entity	Australia	100	100
Queensland Motorways Services Pty Limited	Service entity	Australia	100	100
QMH Finance Pty Limited	Financing entity	Australia	100	100
Transurban Queensland Property Trust	Concession leasing	Australia	100	100
Transurban Queensland Property Pty Limited	Trustee	Australia	100	100
APL Hold Co Pty Limited	Holding entity	Australia	100	N/A
APL Co Pty Limited	Road/operating entity	Australia	100	N/A
TQ APL Hold Co Pty Limited	Holding entity	Australia	100	N/A
TQ APL Asset Co Pty Limited	Trustee	Australia	100	N/A
TQ APL Finance Co Pty Limited	Financing entity	Australia	100	N/A
TQ APL Hold Trust	Trust	Australia	100	N/A
TQ APL Asset Trust	Concession leasing	Australia	100	N/A

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

27 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
W Ballantine
L Petschel

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*
Jackson Ross	General Manager
David McLoughlin	Head of Assets

Key management personnel compensation	**2016** **$**	2015 $
Short-term employee benefits	**5,133,283**	5,808,189
Post-employment benefits	**96,539**	54,355
Other long-term benefits	**18,816**	139,093
Share-based payments	**2,135,343**	2,135,147
Deferred short term incentives	**1,349,108**	721,177
Total remuneration	**8,733,089**	8,857,961

28 Remuneration of auditors

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

Amounts received or due and receivable by PricewaterhouseCoopers	**2016** **$**	2015 $
Audit and review of financial statements	**540,000**	460,000
Other assurance services	**70,000**	-
Total remuneration for PricewaterhouseCoopers	**610,000**	460,000

29 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 47:

(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 2016 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 Directors.

John Massey
Director

Wesley Ballantine
Director

Brisbane
23 August 2016

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 of 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 (the combined entity), which comprises the consolidated balance sheet as at 30 June 2016, the 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 the 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' responsibility for the financial report

The directors of the combined entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the directors of the combined entity determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors of the combined entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 consolidated 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, 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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Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Auditor's opinion

In our opinion:

(a) the financial report of the Transurban Queensland Group:

(i) presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complies with Australian Accounting Standards.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
23 August 2016