Transurban Queensland Holdings 1 Pty Limited and controlled entities

ABN 64 169 090 804

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

Annual report
for the year ended 30 June 2018

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Directors' report

The Directors of Transurban Queensland Holdings 1 Pty Limited ('the Company', 'the Parent' or 'TQH1') and its controlled entities ('Transurban Queensland' or 'the Group'), Transurban Queensland Holdings 2 Pty Limited and its controlled entities ('TQH2'), Transurban Queensland Invest Pty Limited ('TQI') and Transurban Queensland Invest Trust and its controlled entities ('TQIT'), present their report on Transurban Queensland for the financial year ended 30 June 2018 ('FY18'). The controlled entities of TQH1 include the other members of the stapled group being TQH2, TQI and TQIT.

Directors

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

S Charlton

T McKay

J Massey

E Rubin

S Johnson (appointed 1 February 2018)

N Ficca (appointed 14 February 2018)

J Gardiner (resigned 31 December 2017)

W Ballantine (resigned 1 February 2018)

Result

Statutory results

- → Revenue from ordinary activities increased 21.4 per cent to $828 million;
- → Loss from ordinary activities after tax decreased 28.4 per cent to $71 million;
- → Earnings before depreciation and amortisation, net finance costs and income taxes ('EBITDA') increased 4.0 per cent to $446 million.

Distributions and dividends

Quarter Ended		2018 $M	2017 $M
30 September	Distribution	**39.5**	48.0
31 December	Distribution	**47.5**	54.0
31 March	Distribution	**34.5**	32.0
30 June[1]	Distribution	**46.0**	43.0
30 June	Dividend	**-**	15.0
		167.5	192.0

1. In addition to the above distributions, $30m of Shareholder Loan Note principal was redeemed by shareholders in FY18.

Principal activities

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

Operating and financial review

Our business

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

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

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

Concession assets timeline

Below lists the concession asset end dates.

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 further improve the customer experience, enhance our network, drive efficiencies, and support our position as a partner of choice for government.

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

Value proposition

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

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

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

Operating and financial review (continued)

Safety

Improving the Health, Safety and Environment (HSE) performance at Transurban Queensland continues to be a primary focus for our business. During the year ended 30 June 2018, we were committed to managing the key HSE risks and integrating HSE into every part of our business. Going forward the Group will integrate all elements of health, safety, and environment into a single Transurban management system that will meet current and future accreditation. The Group is working towards implementing a consistent approach for the management of contractors reinforcing HSE requirements and proactively working with the community towards leading road safety outcomes through implementing road safety initiatives aligned with safer roads, safer speeds, safer vehicles and safer people.

Group financial performance

Financial performance indicators

The Board and management assess the performance of the network in which we operate based on a measure of earnings before interest, tax, depreciation and amortisation expenses ('EBITDA') excluding the impact of significant items ('Underlying EBITDA').

Year ended 30 June 2018 highlights

Statutory results

	FY18 $M	FY17 $M
Toll revenue	**628.5**	615.7
EBITDA	**446.2**	429.1
Net profit/(loss)	**(70.8)**	(98.9)

Concession Asset performance

Asset	Toll revenue contribution[1]	Traffic growth (ADT)	Toll revenue growth
Gateway	34.9%	1.4%	0.4%
Logan	29.5%	2.7%	1.4%
AirportlinkM7	19.0%	5.2%	6.8%
Clem7	8.6%	2.2%	1.0%
Legacy Way	6.0%	4.3%	3.5%
Go Between Bridge	2.0%	(0.3%)	(3.2%)

[1] Calculated based on toll revenue for the period ended 30 June 2018.

Operating and financial review (continued)

Operations

- → AirportlinkM7 operations insourced as part of broader tunnel network integration program.
- → New Operations and Maintenance (O&M) contract executed on open road assets with Gateway Motorway Services.
- → Delivery of O&M on Inner City Bypass (ICB) to follow project completion in August 2018.
- → Linkt tolling brand introduced in May 2018, enhancing customer services, reducing fees and introducing new digital platforms (including account management and LinktGo apps).
- → Improved fee arrangements for customers include Notice of Demand aggregation whereby trips made over a three-day period are bundled together with a single administration fee.

Development

Logan Enhancement Project ('LEP')

- → Total project cost $512.0 million, increasing capacity and safety in key areas of the Logan Motorway.
- → Project expected to be completed in late FY19.
- → Logan and Gateway HCV tolls increasing post-completion.
- → $2 million community investment as part of the project.

Inner City Bypass ('ICB')

- → Transurban Queensland is project managing and financing the delivery of the $60 million ICB upgrade.
- → Additional lanes on ICB and new on-ramp opened August 2018.

Gateway Upgrade North ('GUN')

- → Construction 90% complete.
- → First rest stop for heavy vehicles as part of the project will open in mid FY19.

Financing activities

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

Apr 2018	Successfully raised $954 million of debt via a new bank debt facility with a tenor of 18 months.
Apr 2018	Successfully priced CHF 200 million of senior secured Swiss debt maturing December 2025 under its Euro Medium Term Note Programme.
May 2018	Successfully priced USD 500 million of senior secured, 10 year USD Reg S debt under its Euro Medium Term Note Programme.

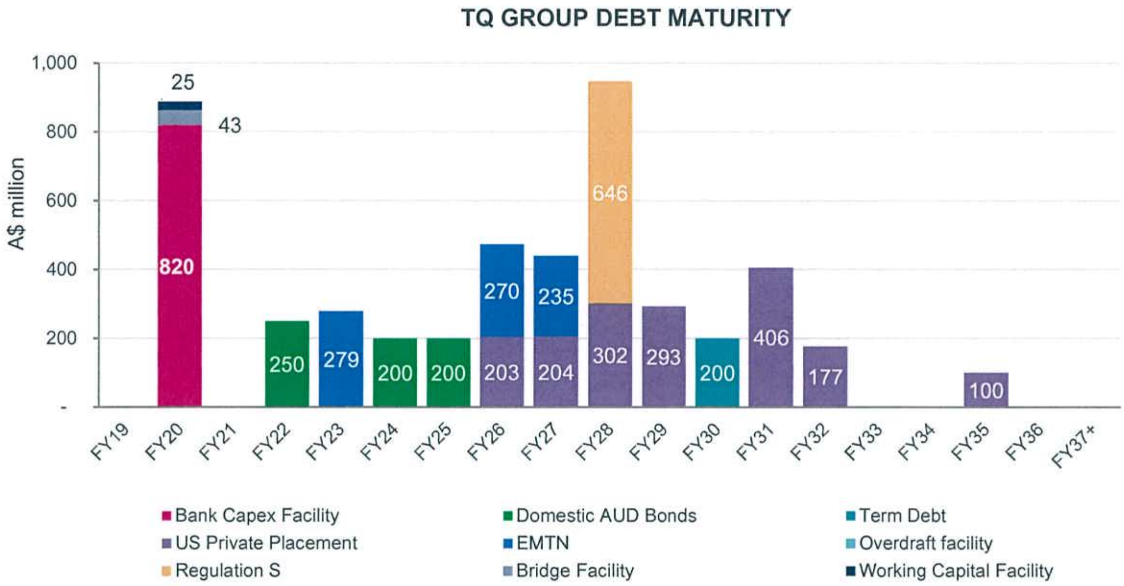
There were no changes to the Group ratings provided by Standard and Poor's Financial Services LLC rating service during the period.

Operating and financial review (continued)

Debt maturity profiles

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

The debt values are shown at 30 June 2018. US and Swiss denominated debt has been converted at the hedged rate, as these borrowings are covered by cross currency swaps to remove the risk of unfavourable exchange rate movements – refer to note B11.



Financial risk management

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

Sustainability

Sustainability is supported through three pillars:

Be good neighbours – We will work with communities to create shared value with our business by anticipating, listening and responding to community needs;

Use less – We will minimise natural resource use and create resource efficiencies during development, operations and maintenance to reduce the impacts of our operations on the community and environment; and

Think long term – We will look for innovative transport solutions that will create efficient, safe transport networks and thriving cities.

During the period, Transurban Queensland continued with a range of social and environmental initiatives, including:

- → The awarding of an 'Excellent' independent Infrastructure Sustainability (IS) Design Rating for the Gateway Upgrade North project;
- → Community investment through major local partnerships, grants, employee volunteering and support for a range of community and charitable organisations' and
- → Continued efforts towards our '10-in-10' commitment to reduce our energy consumption by 10% by 2023.

Operating and financial review (continued)

Business risks and opportunities

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

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

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

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

Risk management

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

The Group has a business-wide risk framework in place to help create a consistent and rigorous approach to identifying, analysing and evaluating risks. This framework has various policies, standards and guidelines attached to it, including the Risk Management Policy.

The framework is overseen by the Audit and Risk Review Committee and is actively managed by the leadership team.

Auditor

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

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

	2018 $	2017 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and other assurance services:		
Audit and review of financial reports	**571,000**	555,000
Other assurance services	**90,000**	112,000
	661,000	667,000
Other services	**-**	-
Total remuneration for PricewaterhouseCoopers	**661,000**	667,000
Total auditors remuneration	**661,000**	667,000

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 Director's and officer's liability insurance policy to indemnify Directors and officers in accordance with the terms and conditions of the policy.

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

Rounding of amounts

The Group is of a kind referred to in instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that instrument to the nearest hundred thousand, or in certain cases, to the nearest dollar.

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

J Massey
Director

S Johnson
Director

Brisbane
29 August 2018

Auditor's Independence Declaration

As lead auditor for the audit of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Pty Limited and Transurban Queensland Invest Trust for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Pty Limited and Transurban Queensland Invest Trust and the entities they controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
29 August 2018

Transurban Queensland Holdings 1 Pty Limited ABN 64 169 090 804

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Section A: Group financial statements

Transurban Queensland Holdings 1 Pty Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2018

	Note	2018 $M	2017 $M
Revenue	B4	**828.4**	682.4
Expenses			
Employee benefits expense		**(19.7)**	(15.7)
Management fees		**(27.5)**	(26.0)
Administrative expenses		**(11.2)**	(8.7)
Construction costs		**(196.3)**	(63.5)
Road operating costs		**(127.5)**	(134.1)
Transaction and integration costs		**-**	(5.3)
Total expenses		**(382.2)**	(253.3)
Earnings before depreciation, amortisation, net finance costs and income taxes		**446.2**	429.1
Depreciation		**(4.7)**	(4.1)
Amortisation	B12	**(222.0)**	(220.8)
Total depreciation and amortisation		**(226.7)**	(224.9)
Net finance costs	B9	**(310.0)**	(326.5)
Loss before income tax		**(90.5)**	(122.3)
Income tax benefit/(expense)	B5	**19.7**	23.4
Profit/(loss) for the year		**(70.8)**	(98.9)
Profit/(loss) attributable to:			
Ordinary securities holders of the stapled group			
- Attributable to TQH1		**(43.4)**	(35.5)
- Attributable to TQH2/TQI/TQIT		**(27.4)**	(63.4)
		(70.8)	(98.9)
Other comprehensive income			
Items that may be reclassified to profit or loss in the future			
Changes in the fair value of cash flow hedges, net of tax		**(79.7)**	19.9
Other comprehensive income/(loss) for the year, net of tax		**(79.7)**	19.9
Total comprehensive income/(loss) for the year		**(150.5)**	(79.0)
Total comprehensive income for the year is attributable to:			
Ordinary security holders of the stapled group			
- Attributable to TQH1		**(43.4)**	(35.5)
- Attributable to TQH2/TQI/TQIT		**(107.1)**	(43.5)
		(150.5)	(79.0)

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

Transurban Queensland Holdings 1 Pty Limited
Consolidated balance sheet
as at 30 June 2018

	Note	2018 $M	2017 $M
ASSETS			
Current assets			
Cash and cash equivalents	B6	87.1	84.7
Trade and other receivables	B6	31.8	26.8
Total current assets		118.9	111.5
Non-current assets			
Derivative financial instruments	B11	13.8	0.9
Property, plant and equipment		18.3	15.1
Deferred tax assets	B5	750.5	697.2
Intangible assets	B12	8,236.7	8,220.1
Total non-current assets		9,019.3	8,933.3
Total assets		9,138.2	9,044.8
LIABILITIES			
Current liabilities			
Trade and other payables	B6	101.1	68.2
Maintenance provision	B13	99.9	65.4
Other provisions		4.2	2.4
Current tax liability		-	0.5
Other liabilities	B7	49.7	45.2
Total current liabilities		254.9	181.7
Non-current liabilities			
Borrowings	B10	4,369.5	4,040.5
Maintenance provision	B13	528.6	558.6
Other provisions		122.8	90.5
Derivative financial instruments	B11	156.8	119.9
Shareholder loans	B21	822.2	852.2
Total non-current liabilities		5,999.9	5,661.7
Total liabilities		6,254.8	5,843.4
Net assets		2,883.4	3,201.4
EQUITY			
Contributed equity		568.9	568.9
Accumulated losses		(352.1)	(308.7)
Non-controlling interests held by security holders of the stapled group (TQH2/TQI/TQIT)	B16	2,666.6	2,941.2
Total equity		2,883.4	3,201.4

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

	No. of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Non-controlling interests – TQH2, TQI & TQIT $M	Total equity $M
Balance at 1 July 2016	**4,546.0**	**568.9**	**-**	**(258.2)**	**3,161.7**	**3,472.4**
Comprehensive income						
Profit/(loss) for the year	-	-	-	(35.5)	(63.4)	(98.9)
Other comprehensive income/(loss)	-	-	-	-	19.9	19.9
Total comprehensive income/(loss)	**-**	**-**	**-**	**(35.5)**	**(43.5)**	**(79.0)**
Transactions with owners in their capacity as owners:						
Dividends/distributions provided for or paid [1]	-	-	-	(15.0)	(177.0)	(192.0)
	-	**-**	**-**	**(15.0)**	**(177.0)**	**(192.0)**
Balance at 30 June 2017	**4,546.0**	**568.9**	**-**	**(308.7)**	**2,941.2**	**3,201.4**
Comprehensive income						
Profit/(loss) for the year	**-**	**-**	**-**	**(43.4)**	**(27.4)**	**(70.8)**
Other comprehensive income/(loss)	**-**	**-**	**-**	**-**	**(79.7)**	**(79.7)**
Total comprehensive income/(loss)	**-**	**-**	**-**	**(43.4)**	**(107.1)**	**(150.5)**
Transactions with owners in their capacity as owners:						
Dividends/distributions provided for or paid[1]	**-**	**-**	**-**	**-**	**(167.5)**	**(167.5)**
	-	**-**	**-**	**-**	**(167.5)**	**(167.5)**
Balance at 30 June 2018	**4,546.0**	**568.9**	**-**	**(352.1)**	**2,666.6**	**2,883.4**

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

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

	Note	2018 $M	2017 $M
Cash flows from operating activities			
Receipts from customers		**691.5**	668.2
Payments to suppliers and employees		**(216.1)**	(205.7)
Payments for maintenance of intangible assets		**(63.1)**	(35.8)
Transaction and integration costs related to acquisitions		**-**	(108.8)
Other revenue		**3.7**	2.8
Interest received		**2.1**	2.6
Interest/debt fees paid		**(196.0)**	(225.1)
Shareholder loans interest paid		**(65.3)**	(65.3)
Net cash inflow from operating activities	(a)	**156.8**	32.9
Cash flows from investing activities			
Payments for intangible assets		**(179.7)**	(68.5)
Payments for property, plant and equipment		**(7.8)**	(5.3)
Net cash (outflow) from investing activities		**(187.5)**	(73.8)
Cash flows from financing activities			
Proceeds from borrowings (net of costs)		**2,091.8**	1,287.6
Repayment of borrowings		**(1,861.2)**	(1,177.0)
Redemption of Shareholder Loan Notes		**(30.0)**	-
Dividends and distributions paid	B8	**(167.5)**	(192.0)
Net cash inflow/(outflow) from financing activities		**33.1**	(81.4)
Net increase/(decrease) in cash and cash equivalents		**2.4**	(122.3)
Cash and cash equivalents at the beginning of the year		**84.7**	207.0
Cash and cash equivalents at end of the year	B6	**87.1**	84.7

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

	2018 $M	2017 $M
Profit/(loss) for the year	**(70.8)**	(98.9)
Depreciation and amortisation	**226.7**	224.9
Non-cash net finance costs	**21.7**	19.3
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(5.0)**	(5.0)
Increase/(decrease) in operating creditors and accruals	**27.2**	(107.9)
Increase/(decrease) in provisions	**3.1**	25.5
(Increase)/decrease in deferred taxes	**(53.3)**	(23.4)
Increase/(decrease) in other liabilities	**7.2**	(1.6)
Net cash inflow from operating activities	**156.8**	32.9

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

(b) Reconciliation of liabilities arising from financing activities

	Borrowings non-current $M	Shareholder loans $M	Debt principal related derivatives (included in assets / liabilities)[1] $M	Total debt related financial instruments $M
Balance at 1 July 2017	4,040.5	852.2	(203.5)	4,689.2
Proceeds from borrowings (net of costs)	2,091.8	-	-	2,091.8
Repayment of borrowings	(1,861.2)	-	-	(1,861.2)
Redemption of Shareholder Loan Notes	-	(30.0)	-	(30.0)
Capitalised premiums and discounts included in operating cash flows	(4.9)	-	-	(4.9)
Total cash flows	225.7	(30.0)	-	195.7
Non-Cash Changes				
Foreign exchange movements	90.6	-	(17.1)	73.5
Capitalised borrowing costs	4.2	-	-	4.2
Amortisation of borrowing costs	8.5	-	-	8.5
Total non-cash changes	103.3	-	(17.1)	86.2
Balance at 30 June 2018	4,369.5	822.2	(220.6)	4,971.1

1. *Total derivatives balance at 30 June 2018 is a net liability of $143.0 million (2017: $119.0 million liability). The difference in carrying value to the table above relates to interest rate swap contracts, the interest portion of cross-currency interest rate swap contracts, and credit valuation and debit valuation adjustments, which are excluded from the balances above.*

Section B: Notes to the Group financial statements

Basis of preparation and significant changes

B1 Corporate information

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

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

The consolidated financial statements of Transurban Queensland for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 29 August 2018. Directors have the power to amend and reissue the financial report.

B2 Summary of significant changes in the current reporting period

During the year ended 30 June 2018, there have been no significant changes in accounting for our assets.

B3 Basis of preparation

The Group financial statements are general purpose financial statements which:

→ Have been prepared in accordance with the *Corporations Act 2001*, Australian accounting standards, and other authoritative pronouncements of the Australian Accounting Standards Board;

→ Have adopted all accounting policies in accordance with Australian accounting standards, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in these financial statements;

→ Do not early adopt any accounting standards or interpretations that have been issued or amended but are not yet effective;

→ Comply with International financial reporting standards ('IFRS') as issued by the International Accounting Standards Board ('IASB');

→ Have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities;

→ Are presented in Australian dollars, which is the Group's functional and presentation currency.

→ Have been rounded to the nearest hundred thousand dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191; and

→ The presentation of comparative amounts have been restated, where applicable, to conform to the current period presentation.

B3 Basis of preparation (continued)

Going concern

The Group's current liabilities exceed its current assets by $136.0 million as at 30 June 2018. This is primarily driven by expected major maintenance spend in the next 12 months. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- The Group has generated positive cash inflows from operating activities of $156.8 million (2017: $32.9 million), after payment of $0.7 million (2017: $108.8 million) in transaction and integration costs relating to acquisitions;
- The Group has available a total of $25 million of undrawn working capital facilities;
- The Group continues to have in place a 2 year $820.0 million bank debt facility to fund the Logan Enhancement Project, the Inner City Bypass project and certain major maintenance costs, of which $516.8 million remains undrawn at 30 June 2018; and
- The Group has paid a total of $197.5 million of distributions and shareholder loan note redemptions over the past 12 months.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges or are qualifying net investment hedges.

New and amended standards

The Group has adopted the following new or revised accounting standards which became effective for the annual reporting period commencing 1 July 2017. The Group determined there is no impact on the financial statements.

Reference	Description
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. This does not change the underlying principles for the recognition of deferred tax assets. The Group does not have any temporary taxable or deductible differences on assets that are measured at fair value. Therefore, the impact of the application of the new standard was not material.
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. The impact of the application of the new standard is additional disclosure in the annual Group financial statements relating to the financial liabilities held by the Group.
AASB 2017-2	Amendment to AASB 12 clarifies the scope of the standard. Management has undertaken an assessment of the impact of this standard and does not believe that the impact is material.

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for 30 June 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
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, including AASB 118 Revenue, AASB 111 Construction Contracts and associated Interpretations. The Group's principal revenue generating activities, being the service concession arrangements, are accounted for in accordance with AASB Interpretation 12 *Service Concession Arrangements* (IFRIC 12), which specifies that the construction services and operation or maintenance services provided under the Group's Service Concession arrangements are two distinct types of services (see note B16). AASB 15 does not give rise to a change with respect to the revenue derived under the Group's respective revenue recognition method used to account for the service concession arrangements. The Group has completed its analysis of the impacts of adoption and have concluded that there is no material change to the presentation, recognition, and measurement of revenue as a result of the transition to AASB 15. *Service concession arrangements—intangible asset model* The customer with respect to the construction services is the concession grantor. The revenue for the construction of service concession infrastructure assets will be accounted for as one performance obligation. The revenue will be recognised in line with the progress of construction services provided, which is measured at fair value, determined by reference to the stand-alone selling price. The customer with respect to the operation or maintenance services is the user of the infrastructure and, therefore, each use made of the infrastructure by users is considered a performance obligation, and the related revenue is recognised at the point in time that the individual service is provided.	1 January 2018	1 July 2018

B3 Basis of preparation (continued)

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

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 9 *Financial Instruments*	AASB 9 is the new financial instrument standard with the following impacts: • introduces a new model for assessing the classification, measurement and derecognition of financial assets and financial liabilities; • a new impairment model for financial assets based on expected credit losses is introduced; and • complexity is reduced for achieving hedge accounting. The Group has reviewed its financial assets and liabilities and is expecting the following impacts from the adoption of the new standard: *Classification and measurement* The financial assets held by the Group are debt instruments that are currently classified as held-to-maturity and measured at amortised cost. These financial assets meet the conditions for classification and measurement at amortised cost under AASB 9. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated optionally at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not changed. *New impairment model* The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI), lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date the Group expects a small, albeit immaterial, increase in the allowance for doubtful trade receivables and debt instruments held at amortised cost.	1 January 2018	1 July 2018

B3 Basis of preparation (continued)

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

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 9 *Financial Instruments (continued)*	*Hedge accounting* The new hedge accounting rules are designed to reduce complexity and improve alignment to the way entities manage their risks compared with AASB 139. The Group has confirmed that its existing hedge relationships will continue to qualify for hedge accounting upon adoption of AASB 9. The Group does not expect to materially change its existing hedge accounting approach under the new standard. *Disclosure* The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments, particularly in the year of adoption of the new standard.	1 January 2018	1 July 2018
AASB 16 *Leases*	AASB 16 modifies accounting for leases by removing the current distinction between operating and finance leases. The standard requires recognition of an asset and a financial liability for all leases, with exemptions for short term and low value leases. Under the new standard, entities will no longer be required to distinguish between finance leases and operating leases. The standard will primarily affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $5.7 million (see note B19). On transition and moving forward, for operating leases for which payments are currently required to be expensed, the Group will recognise right of use assets and corresponding liabilities for the principal amount of lease payments, which will then result in amortisation and interest expenses being recognised in the income statement (replacing operating lease expenses). Further, the principal component of lease payments will be reclassified from operating to financing in the statement of cash flows. The Group is still considering the appropriate treatment for transitioning to the new standard and has not yet forecast the financial impacts of the new standard. This will be completed by the Group closer to the application of the standard.	1 January 2019	1 July 2019
AASB 2016-5	Amendments made to AASB 2 clarify how to account for cash-settled share-based payments with performance conditions, modifications that change a cash-settled arrangement to an equity-settled arrangement, and equity-settled awards that include a 'net settlement' feature which requires employers to withhold amounts to settle the employee's tax obligations. 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

B3 Basis of preparation (continued)

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

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 2018-1	Amendments made to the following accounting standards as part of the Annual Improvements 2015-2017 Cycle: • AASB 3 *Business Combinations* and AASB 11 *Joint Arrangements* to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business; • AASB 112 *Income Taxes* to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits; • AASB 123 *Borrowing Costs* to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2019	1 July 2019
Interpretation 22	The interpretation clarifies how to apply the standard on foreign currency transactions, AASB 121, when an entity pays or receives consideration in advance for foreign currency-denominated contracts. 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
Interpretation 23	The interpretation clarifies how to apply the standard on income taxes, AASB 112, when an entity has to consider, recognise and measure the accounting impact of tax uncertainties. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material based on the Group's tax positions at 30 June 2018.	1 January 2019	1 July 2019

B3 Basis of preparation (continued)

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

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

Critical accounting estimates and judgements

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

- → Income taxes — Note B5
- → Fair value of derivatives and other financial instruments — Note B11
- → Estimated impairment of intangible assets and cash generating units — Note B12
- → Provision for maintenance expenditure — Note B13
- → Provision for contingent consideration — Note B18

Operating performance

B4 Revenue

	2018 $M	2017 $M
Toll revenue	628.5	615.7
Construction revenue	196.3	63.5
Other revenue	3.6	3.2
Total revenue	828.4	682.4

Accounting policy

The Group generates the following types of revenue:

Revenue type	Recognition
Toll revenue	Recognised when the charge is incurred by the user and the amount is determined to be recoverable by the Group.
Construction revenue	Revenue for the construction of service concession infrastructure assets is recognised in accordance with the percentage of completion method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each project.
Other revenue	Includes business development revenue and other road revenue, and is recognised to the extent that incurred costs will be recovered.

B5 Income tax

Income tax expense/(benefit)

	2018 $M	2017 $M
Current tax	(36.5)	(26.8)
Deferred tax	18.2	5.1
Under provision in prior years	(1.4)	(1.7)
	(19.7)	(23.4)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	19.8	5.1
(Decrease)/increase in deferred tax liabilities	(1.6)	-
	18.2	5.1

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

	2018 $M	2017 $M
(Loss)/profit before income tax expense/(benefit)	(90.5)	(122.3)
Tax at the Australian tax rate of 30.0% (2017: 30.0%)	(27.2)	(36.7)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	8.2	19.3
Change in tax base on concession assets	-	(4.0)
Sundry items	0.7	(0.3)
Under/(over) provision in prior years	(1.4)	(1.7)
Income tax expense/(benefit)	(19.7)	(23.4)
Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	(35.0)	(8.5)
	(35.0)	(8.5)

B5 Income tax (continued)

Deferred tax assets and liabilities

	Assets		Liabilities	
	2018 $M	2017 $M	2018 $M	2017 $M
The balance comprises temporary differences attributable to:	-	-	-	-
Provisions	215.4	213.9	-	-
Current and prior year losses	124.0	87.5	-	-
Fixed assets/intangibles	519.2	540.8	(177.4)	(179.0)
Accrued expenses	2.7	2.4	-	-
Derivatives and foreign exchange	66.6	31.6	-	-
Tax assets/(liabilities)	927.9	876.2	(177.4)	(179.0)
Set-off of tax	(177.4)	(179.0)	177.4	179.0
Net tax assets/(liabilities)	750.5	697.2	-	-
	-	-	-	-
Movements:	-	-	-	-
Opening balance at 1 July	876.2	861.1	(179.0)	(179.0)
Credited to the statement of comprehensive income	(19.8)	(5.1)	1.6	-
Credited/(charged) to equity	35.0	(8.5)	-	-
Current year losses recognised	36.5	26.8	-	
Other	-	1.9	-	-
Closing balance at 30 June	927.9	876.2	(177.4)	(179.0)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	927.9	876.2	(177.4)	(179.0)

Accounting policy

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

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

B5 Income tax (continued)

Tax consolidation legislation

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

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

The TQH1 tax consolidated group is summarised as follows:

TQH1 tax consolidated group

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

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

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

Goods and Services Tax ('GST')

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

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

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

Key estimate

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

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

B6 Working capital

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

	2018 $M	2017 $M
Current assets		
Cash at bank and on hand	87.1	84.7
	87.1	84.7
Trade receivables	21.0	21.6
Other receivables	10.8	5.2
	31.8	26.8
	118.9	111.5
Current liabilities		
Trade payables and accruals	(101.1)	(68.2)
	(101.1)	(68.2)
Net working capital	17.8	43.3

Cash and cash equivalents

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

The amount shown in cash and cash equivalents includes $15.0 million not available for general use at 30 June 2018 (2017: $5.1 million).

Trade and other 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 allowance for impairment. Trade receivables are due for settlement no more than 30 days from revenue recognition.

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

As at 30 June 2018, the Group held an allowance for doubtful debtors of $2.4 million (2017: $1.2 million), recognised for current trade receivables that were considered potentially unrecoverable. As at 30 June 2018, trade receivables of $14.6 million (2017: $17.9 million) were overdue but the Group still believe that these overdue amounts will be received in full. The other classes within trade and other receivables do not contain amounts that are considered to be potentially unrecoverable.

The carrying amount of trade and other receivables approximates their fair value.

B7 Other current liabilities

	2018 $M	2017 $M
Prepaid tolls	47.6	41.9
Other liabilities	2.1	3.3
	49.7	45.2

Prepaid tolls

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

Security holder outcomes

B8 Dividends/distributions

Dividends/distributions paid by the Group	Total $M	Paid in cash $M	Cents	Date paid/ Payable
2017				
Declared 30 September 2016				
Distribution – TQIT	48.0	48.0	1.1	
	48.0	48.0	1.1	30 September 2016
Declared 31 December 2016				
Distribution - TQIT	54.0	54.0	1.2	
	54.0	54.0	1.2	31 December 2016
Declared 31 March 2017				
Distribution – TQIT	32.0	32.0	0.7	
	32.0	32.0	0.7	31 March 2017
Declared 30 June 2016				
Distribution – TQIT	43.0	43.0	0.9	
Dividend (unfranked) – TQH1	15.0	15.0	0.3	
	58.0	58.0	1.2	30 June 2017
Total paid FY17	192.0	192.0	4.2	
2018				
Declared 30 September 2017				
Distribution – TQIT	**39.5**	**39.5**	**0.9**	
	39.5	**39.5**	**0.9**	30 September 2017
Declared 31 December 2017				
Distribution – TQIT	**47.5**	**47.5**	**1.0**	
	47.5	**47.5**	**1.0**	31 December 2017
Declared 31 March 2018				
Distribution –TQIT	**34.5**	**34.5**	**0.8**	
	34.5	**34.5**	**0.8**	31 March 2018
Declared 30 June 2018				
Distribution – TQIT	**46.0**	**46.0**	**1.0**	
	46.0	**46.0**	**1.0**	30 June 2018
Total paid FY18	**167.5**	**167.5**	**3.7**	

Distribution policy

The Group's dividends/distribution policy is to align dividends/distributions with actual available cash from operations after the servicing of external debt interest.

Capital and borrowings

B9 Net finance costs

	2018 $M	2017 $M
Finance income		
Interest income on bank deposits	**1.8**	2.8
Total finance income	**1.8**	2.8
Finance costs		
Interest and finance charges paid/payable	**(205.4)**	(233.4)
Related party interest and finance charges	**(65.3)**	(65.3)
Unwind of discount on liabilities	**(41.1)**	(30.6)
Total finance costs	**(311.8)**	(329.3)
Net finance costs	**(310.0)**	(326.5)

An additional $4.2 million (2017: $0.7million) of financing costs have been capitalised and included in the carrying value of assets under construction.

B10 Borrowings

	2018 $M	2017 $M
Non-current		
Capital markets debt	**2,109.1**	1,159.2
U.S. private placement	**1,733.1**	1,676.2
Term debt	**545.7**	1,226.9
Net capitalised borrowing costs	**(18.4)**	(21.8)
Total non-current borrowings	**4,369.5**	4,040.5
Total borrowings	**4,369.5**	4,040.5

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

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

B10 Borrowings (continued)

Financing arrangements and credit facilities

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

	Maturity	Carrying value 2018 $M	Carrying value 2017 $M
Non-recourse debt			
Working capital facilities drawn			
TQ Finance – facility AUD 25 million	Dec-19	**-**	-
Capital markets debt			
Transurban Queensland Finance - Domestic bond AUD 250m	Dec-21	**250.0**	250.0
Transurban Queensland Finance - Domestic bond AUD 200m	Oct-23	**200.0**	200.0
Transurban Queensland Finance - EMTN CHF 200m	Jun-23	**272.2**	271.6
Transurban Queensland Finance - Domestic bond AUD 200m	Dec-24	**200.0**	200.0
Transurban Queensland Finance - EMTN CHF 175m	Nov-26	**238.2**	237.6
Transurban Queensland Finance - EMTN Reg S USD 500m	Apr-28	**676.5**	-
Transurban Queensland Finance - EMTN CHF 200m	Dec-25	**272.2**	-
U.S. Private Placement			
Transurban Queensland Finance - Sep 2015 - Tranche A USD 155m	Sep-25	**209.7**	201.5
Transurban Queensland Finance - Dec 2016 - Tranche A USD 130m	Dec-26	**175.9**	169.0
Transurban Queensland Finance - Dec 2016 - Tranche D AUD 35m	Dec-26	**35.0**	35.0
Transurban Queensland Finance - Sep 2015 - Tranche B USD 230m	Sep-27	**311.2**	299.0
Transurban Queensland Finance - Dec 2016 - Tranche B USD 225m	Dec-28	**304.4**	292.5
Transurban Queensland Finance - Sep 2015 - Tranche C USD 256m	Sep-30	**346.4**	332.8
Transurban Queensland Finance - Sep 2015 - Tranche D AUD 70m	Sep-30	**70.0**	70.0
Transurban Queensland Finance - Dec 2016 - Tranche C USD 78m	Dec-31	**105.5**	101.4
Transurban Queensland Finance - Dec 2016 - Tranche E AUD 75m	Dec-31	**75.0**	75.0
Transurban Queensland Finance - Dec 2016 - Tranche F AUD 100m	Jan-35	**100.0**	100.0
Term debt			
Transurban Queensland Finance - CAPEX facility AUD 820m	Dec-19	**303.2**	76.9
Transurban Queensland Finance - Term Debt AUD 200m	Apr-30	**200.0**	200.0
TQ APL Finance - Term debt AUD 475m[1]	Apr-19	**-**	475.0
TQ APL Finance - Term debt AUD 475m[1]	Apr-21	**-**	475.0
Transurban Queensland Finance Term Debt AUD 960m	Oct-19	**42.5**	-
Net capitalised borrowing costs		**(18.4)**	(21.8)
Total non-recourse debt, net of capitalised borrowing costs		**4,369.5**	4,040.5

1. *These facilities were refinanced during FY18.*

Working capital facilities

→ The Transurban Queensland Finance facility is secured against the respective rights of TQH1, TQH2, TQIT and their assets. At 30 June 2018 the facility was undrawn.

Capital markets debt

→ The Transurban Queensland Finance domestic bonds are secured against the respective rights of TQH1, TQH2, TQIT and their assets; and

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

U.S. private placement

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

B10 Borrowings (continued)

Term debt

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

Covenants

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

Non-Recourse Debt

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

B11 Derivatives and financial risk management

Derivatives

	2018 $M		2017 $M	
	Current	Non-current	Current	Non-current
Assets				
Interest rate swap contracts – cash flow hedges	-	-	-	0.9
Cross-currency interest rate swap contracts – cash flow hedges	-	13.8	-	-
Total derivative financial instrument assets	-	13.8	-	0.9
Liabilities				
Interest rate swap contracts – cash flow hedges	-	12.9	-	13.2
Cross-currency interest rate swap contracts – cash flow hedges	-	143.9	-	106.7
Total derivative financial instrument liabilities	-	156.8	-	119.9

Accounting policy

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

→ hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);

→ 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 this note. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months.

B11 Derivatives and financial risk management (continued)

Cash flow hedges

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

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

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

Derivatives that do not qualify for hedge accounting

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

Hedging strategy and instruments used by the Group

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

Interest rate swap contracts – cash flow hedges

The Group uses interest rate swap contracts to manage the Group's exposure to variable interest rates related to borrowings. Interest rate swap contracts currently in place cover 54% (2017: 95%) of the variable debt held by the Group (excluding working capital facilities).

Cross-currency interest rate contracts – cash flow hedges

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

Offsetting financial assets and financial liabilities

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

Financial risk management

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

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

B11 Derivatives and financial risk management (continued)

Market risk

Interest rate risk

The Group's main exposure to interest rate risk arises from cash and cash equivalents, and long-term borrowings. The Group manages interest rate risk by entering into fixed rate debt facilities or by using interest rate swaps to convert floating rate debt to fixed interest rates. Generally, the Group raises long term borrowings at floating interest rates and swaps them into fixed interest rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100%. Covenant requirements vary by debt facility, and require a minimum of between 75% of the interest rate exposure to be hedged. At 30 June 2018, 90% (2017: 95%) of the Group's interest rate exposure on borrowings was hedged.

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

	2018 $M	2017 $M
Cash and cash equivalents	87.1	84.7
Floating rate borrowings	(745.7)	(1,426.9)
Interest rate swaps (notional principal amount)	400.0	1,350.0
Net exposure to interest rate risk	**(258.6)**	7.8

Sensitivity

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

	Movement in post-tax profit	
	2018 $M	2017 $M
Interest rates +100bps	(1.8)	0.1
Interest rates –100bps	1.8	(0.1)

Foreign exchange risk

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

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

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

	2018 $M		2017 $M	
	USD	CHF	USD	CHF
Borrowings	1,574.0	575.0	1,074.0	375.0
Cross-currency interest rate swaps	(1,574.0)	(575.0)	(1,074.0)	(375.0)
Net exposure	-	-	-	-

Sensitivity

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

	2018 $M		2017 $M	
	Movement in post-tax profit	Increase / (decrease) in equity	Movement in post-tax profit	Increase / (decrease) in equity
AUD/USD				
+ 10 cents	-	(20.8)	-	(28.2)
- 10 cents	-	27.8	-	40.4
AUD/CHF				
+ 10 cents	-	(18.5)	-	(15.3)
- 10 cents	-	31.7	-	26.6

B11 Derivatives and financial risk management (continued)

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

Credit risk

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

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

Liquidity risk

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

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

Financing arrangements

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

	2018 $M	2017 $M
Floating rate		
Expiring within one year	-	-
Expiring beyond one year	541.8	788.1
	541.8	788.1

B11 Derivatives and financial risk management (continued)

Contractual maturities of financial liabilities

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

2018 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	101.1	-	-	-	-	-	101.1	101.1
Borrowings	121.3	494.6	143.1	388.1	449.8	4,328.5	5,925.4	4,369.5
Interest rate swaps	4.4	4.1	3.4	2.5	1.6	(2.7)	13.3	12.9
Cross-currency swaps	48.4	48.5	48.2	48.2	9.7	(99.6)	103.4	130.1
Total	275.2	547.2	194.7	438.8	461.1	4,226.2	6,143.2	4,613.6

2017 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	68.2	-	-	-	-	-	68.2	68.2
Borrowings	113.6	614.9	204.7	599.8	355.8	3,679.3	5,568.1	4,040.5
Interest rate swaps	8.7	5.7	2.7	0.8	1.1	(6.0)	13.0	12.3
Cross-currency swaps	39.8	39.4	39.5	38.2	37.8	(118.0)	76.7	106.7
Total	230.3	660.0	246.9	638.8	394.7	3,555.3	5,726.0	4,227.7

Capital risk management

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

Fair value measurements

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

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

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

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

Key estimate

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

Network summary

B12 Intangible assets

2018 $M	Concession assets	Assets under construction	Goodwill	Total
Cost	8,520.5	296.7	204.7	9,021.9
Accumulated amortisation	(785.2)	-	-	(785.2)
Net book amount	7,735.3	296.7	204.7	8,236.7

2017 $M	Concession assets	Assets under construction	Goodwill	Total
Cost	8,497.8	80.8	204.7	8,783.3
Accumulated amortisation	(563.2)	-	-	(563.2)
Net book amount	7,934.6	80.8	204.7	8,220.1

Movement in intangible assets

	Concession assets $M	Assets under construction $M	Goodwill $M	Total $M
Opening balance 1 July 2016	8,110.7	10.2	204.7	8,325.6
Additions	-	70.6	-	70.6
Changes in deferred payments	44.7	-	-	44.7
Amortisation charge	(220.8)	-	-	(220.8)
Net book amount 30 June 2017	7,934.6	80.8	204.7	8,220.1
Additions	-	215.9	-	215.9
Changes in deferred payments	22.7	-	-	22.7
Amortisation charge	(222.0)	-	-	(222.0)
Net book amount 30 June 2018	7,735.3	296.7	204.7	8,236.7

Concession assets

Concession assets represent the Group's rights 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.

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

	2018 Years	2017 Years
Gateway and Logan	33	34
Clem7 Tunnel	33	34
AirportlinkM7	35	36
The Go Between Bridge	45	46
Legacy Way Tunnel	47	48

B12 Intangible assets (continued)

Goodwill

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

Impairment testing of goodwill and other intangible assets

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

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

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

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 Directors. Cash flows beyond this period are modelled using the same set of assumptions up to the end of the applicable concession period:

	2018	2017
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.

Key estimate

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

B13 Maintenance provision

Movement in maintenance provision

	Current $M	Non-current $M
Carrying value at 1 July 2016	55.4	543.1
Additional provision recognised	-	40.4
Amounts paid/utilised	(40.1)	-
Unwinding of discount	-	25.2
Transfer	50.1	(50.1)
Carrying value at 30 June 2017	**65.4**	**558.6**
Additional provision recognised	**-**	**34.1**
Amounts paid/utilised	**(60.3)**	**-**
Unwinding of discount	**-**	**30.7**
Transfer	**94.8**	**(94.8)**
Carrying value at 30 June 2018	**99.9**	**528.6**

Key estimate

As part of its obligations under the service concession arrangements, the Group assumes responsibility for the maintenance and repair of installations of the publicly owned roads it operates. 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.

Group structure

B14 Principles of consolidation

Subsidiaries

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

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

B15 Material subsidiaries

The Group's material subsidiaries are outlined in the Group structure diagram below.

Name of entity	Principal Activities	Country of incorporation	% Equity Interest 2018	% Equity Interest 2017
Transurban Queensland Finance Pty Limited	Financing entity	Australia	100	100
Project T Partnership	Road/operating entity	Australia	100	100
Gateway Motorways Pty Limited	Road/operating entity	Australia	100	100
Logan Motorways Pty Limited	Road/operating entity	Australia	100	100
Queensland Motorways Management Pty Limited	Road/operating entity	Australia	100	100
GBB Operations Pty Limited	Road/operating entity	Australia	100	100
LW Operations Pty Limited	Road/operating entity	Australia	100	100
Queensland Motorways Services Pty Limited	Service entity	Australia	100	100
Transurban Queensland Property Trust	Concession leasing	Australia	100	100
Transurban Queensland Property Pty Limited	Trustee	Australia	100	100
APL Co Pty Limited	Road/operating entity	Australia	100	100
TQ APL Finance Co Pty Limited	Financing entity	Australia	100	100
TQ APL Asset Co Pty Limited	Trustee	Australia	100	100
TQ APL Asset Trust	Concession leasing	Australia	100	100

Ultimate Parent

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

B16 Non-controlling interests

Set out below is summarised financial information for each of the material non-controlling interests within Transurban Queensland. The amounts disclosed are before inter-company eliminations.

	TQIT	
	2018 $M	**2017 $M**
Summarised balance sheet		
Current assets	**246.1**	196.3
Non-current assets	**7,014.0**	6,967.2
Current liabilities	**(69.4)**	(59.7)
Non-current liabilities	**(4,524.2)**	(4,162.6)
Net assets	**2,666.6**	2,941.2
Carrying amount of NCI	**2,666.6**	2,941.2
Summarised statement of comprehensive income		
Revenue	**335.4**	325.8
Expenses	**(362.8)**	(389.2)
(Loss)/profit for the year	**(27.4)**	(63.4)
Other comprehensive income/(loss)	**(79.7)**	19.9
Total comprehensive income/(loss)	**(107.1)**	(43.5)
(Loss)/profit allocated to NCI	**(27.4)**	(63.4)
OCI allocated to NCI	**(79.7)**	19.9
Summarised cash flows		
Cash flows from operating activities	**99.7**	(13.0)
Cash flows from investing activities	**(155.7)**	(50.5)
Cash flows from financing activities	**61.0**	(64.6)
Net increases/(decreases) in cash and cash equivalents	**5.0**	(128.1)

B17 Deed of cross guarantee

Deed of cross guarantee

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

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

B17 Deed of cross guarantee (continued)

	2018 $M	2017 $M
Summarised statement of comprehensive income		
Revenue	104.3	88.5
Operating costs	(0.6)	(2.8)
Net finance costs	(52.5)	(52.6)
Profit/(loss) before income tax	51.2	33.1
Income tax benefit/(expense)	22.0	22.6
Profit/(loss) for the year	73.2	55.7
Total comprehensive income/(loss) for the year	73.2	55.7
Summarised movements in retained earnings		
Retained earnings/(accumulated losses) at the beginning of the year	38.6	(2.1)
Profit/(loss) for the year	73.2	55.7
Dividends provided for or paid	-	(15.0)
Retained earnings at the end of the year	111.8	38.6
Summarised balance sheet		
Current assets		
Cash and cash equivalents	1.1	1.4
Trade and other receivables	35.3	65.3
Total current assets	36.4	66.7
Non-current assets		
Other financial assets	1,746.7	1,746.7
Other receivables	1,126.9	1,104.9
Deferred tax assets	126.1	91.2
Total non-current assets	2,999.7	2,942.8
Total assets	3,036.1	3,009.5
Current liabilities		
Trade and other payables	126.0	142.5
Total current liabilities	126.0	142.5
Non-current liabilities		
Payables	2,217.5	2,247.6
Other liabilities	11.9	11.9
Total non-current liabilities	2,229.4	2,259.5
Total liabilities	2,355.4	2,402.0
Net assets	680.7	607.5
Equity		
Contributed equity	568.9	568.9
Retained earnings	111.8	38.6
Total equity	680.7	607.5

Items not recognised

B18 Contingencies

Contingent liabilities

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

Concession asset	Carrying value $M	Maximum consideration payable $M	Assessment / payment date
Legacy Way Tunnel	122.4	Unlimited[1]	Jun 2020
Go Between Bridge	1.2	Unlimited[1]	Jun 2018[2]

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

2. *Contingent consideration payable for the Go Between Bridge has not been paid at reporting date.*

Parent entity

The parent entity does not have any contingent liabilities at reporting date (2017: nil).

Key estimate

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

B19 Commitments

	Operating lease commitments		Capital commitments	
	2018 $M	2017 $M	2018 $M	2017 $M
Within one year	2.0	2.2	199.4	207.5
Later than one year but not later than five years	3.7	5.5	1.9	167.5
Later than five years	-	-	-	-
	5.7	7.7	201.3	375.0

B20 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the operations of the Group, and results of those operations, or the state of affairs of the Group, in future financial years.

Other

B21 Related party transactions

	2018 $'000	2017 $'000
Transactions with related parties		
Shareholder loan interest expense	**(65,250.0)**	(65,250.0)
Transurban Limited service fee	**(11,515.7)**	(11,312.1)
Additional service fees expense	**(15,976.4)**	(14,700.0)
Integration expenses	**(65.7)**	(2,452.8)
Outstanding balances with related parties		
Shareholder loans	**(822,197.5)**	(852,197.5)
Related party payables	**(4,909.2)**	(4,671.8)

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

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

Shareholder loan notes

The shareholder loan notes comprise two separate issuances as follows:

→ $750.0m of loan notes issued on July 2014, which are redeemable on 31 December 2048. Interest is payable on a quarterly basis at 8.70% per annum.

→ $72.2m of interest-free loan notes issued in April 2016, which are redeemable on 31 July 2053. $30.0m of loan notes were repaid in June 2018.

The shareholder loan notes are unsecured.

B22 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
T McKay
S Johnson (appointed 1 February 2018)
W Ballantine (resigned 1 February 2018)

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

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

Name	*Position*
Chris Poynter	General Manager
David McLoughlin	General Manager Operations Queensland

B22 Key management personnel compensation (continued)

Key management personnel compensation

	2018 $	2017 $
Short-term employee benefits	5,947,420	5,496,023
Post-employment benefits	1,564,670	100,989
Long-term benefits	90,756	86,506
Share-based payments	113,588	2,224,797
Deferred short term incentives	2,395,751	1,532,794
	10,112,185	9,441,109

B23 Remuneration of auditors

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

Amounts received or due and receivable by PricewaterhouseCoopers

	2018 $	2017 $
Audit and review of financial reports	571,000	555,000
Other assurance services	90,000	112,000
	661,000	667,000
Other services	-	-
Total remuneration for PricewaterhouseCoopers	661,000	667,000
Total auditors remuneration	661,000	667,000

B24 Parent entity disclosures

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

Investments in subsidiaries, associates and joint ventures

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

Tax consolidation legislation

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

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

Summary financial information

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

	2018 $M	2017 $M
Balance sheet		
Current assets	**72.1**	104.1
Total assets	**1,495.1**	1,470.3
Current liabilities	**(109.0)**	(125.4)
Total liabilities	**(931.3)**	(977.8)
Net assets	**563.8**	492.5
Shareholders' equity		
Contributed equity	**568.9**	568.9
Retained earnings	**(5.1)**	(76.4)
Total equity	**563.8**	492.5
Profit for the year	**71.3**	54.2
Total comprehensive income	**71.3**	54.2

Guarantees entered into by the parent entity

There are cross guarantees given by TQH1 and Queensland Motorways Holding Pty Limited as described in note B17.

Section C: Signed reports

In the opinion of the Directors:

(a) the financial statements and notes as set out on pages 13 to 47 are in accordance with the *Corporations Act 2001*, including:

  (i) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note B17 will be able to meet any obligations or liabilities to which they are, or may become liable, subject by virtue of the deed of cross guarantee described in note B17.

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

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

J Massey
Director

S Johnson
Director

Brisbane
29 August 2018

Independent auditor's report

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

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

The financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Directors'

Report included in the annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
29 August 2018