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 2020

Commercial in confidence

Contents

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 2020 (FY20). 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 (resigned 18 February 2020)

N Ficca

V Hannan

M Huey

S Johnson

J Massey

J Ross (appointed 18 February 2020)

E Rubin

Financial results

Statutory results

Toll revenue from ordinary activities decreased 1.9 per cent to $630.8 million;

Loss from ordinary activities after tax increased 589 per cent to $92.3 million;

Earnings before net finance costs, income taxes and depreciation and amortisation ('EBITDA') decreased 2.5 per cent to $458.0 million.

Distributions

Quarter Ended		2020 $M	2019 $M
30 September	Distribution	**19.0**	**37.5**
31 December	Distribution	**62.4**	**47.0**
31 March	Distribution	**82.2**[2]	**36.0**
30 June[1]	Distribution	**21.5**	**260.0**[3]
		185.1	**380.5**

1. In addition to the above distributions, $6.5 million of shareholder loan note principal was redeemed by shareholders in FY20 (FY19: $44 million).

2. The distribution for the quarter ended 31 March 2020 included a one-off capital distribution of $53 million.

3. The distribution for the quarter ended 30 June 2019 included a one-off capital distribution of $230 million.

Principal activities

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

Operating and financial review

Our business

Transurban Queensland (‘TQ’) 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 asset timelines

The concession asset end dates are listed below:

	Concession end date
Gateway and Logan Motorways	**2051**
Clem7	**2051**
AirportlinkM7	**2053**
Go Between Bridge	**2063**
Legacy Way	**2065**

Strategy

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

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

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

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

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

Value proposition

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

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

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

Safety

Improving the Health, Safety and Environment (HSE) performance of Transurban Queensland continues to be a primary focus for the business. During the year ended 30 June 2020, there has been a continued focus on developing personal accountability for Health, Safety and Environment (HSE) and management of our key HSE Risks across the business. This has included Implementation of an enhanced People Leader HSE Action Plan, increasing our understanding and assurance of our key HSE Risks, and delivery of the HSE analytics and insights project.

The year ended 30 June 2020 presented the additional challenge of responding to the COVID-19 pandemic from both physical and mental wellbeing perspectives. This required the implementation of a COVID-19 response and triage process and an enhanced ergonomic process to support long-term working from home activities.

Operating and financial review (continued)

Group financial performance

Financial performance indicators

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

Year ended 30 June 2020 highlights

Statutory results

	FY20 $M	FY19 $M
Toll revenue	**630.8**	643.0
EBITDA	**458.0**	469.6
Net (loss)/profit	**(92.3)**	(13.4)

Concession asset performance

Asset	Toll revenue contribution[1]	Traffic growth (ADT[2])	Toll revenue growth
Gateway	35.3%	(5.8%)	(0.4%)
Logan	30.9%	0.4%	6.9%
AirportlinkM7	17.8%	(12.9%)	(10.9%)
Clem7	7.9%	(14.6%)	(12.3%)
Legacy Way	6.3%	(6.9%)	(4.6%)
Go Between Bridge	1.8%	(15.6%)	(13.9%)

[1] Calculated based on toll revenue for the period ended 30 June 2020.

[2] Average Daily Traffic.

COVID-19 Response

The Government-mandated travel restrictions as a result of the COVID-19 pandemic, resulted in a substantial decline in traffic on our concession assets, and in turn, revenue, from March 2020. However, the Group's response from the outset has been clear to ensure the health and safety of our employees, contractors and customers and to support those in our communities directly impacted by COVID-19.

Customer support expanded

To help our customers directly impacted by COVID-19, we introduced a toll credit program and expanded our Linkt Assist hardship support services to provide customers with more time to pay, fee waivers, payment plans, and extended support to business customers.

The first phase of the toll credit program (1 April to 30 June) focused on healthcare workers, emergency services personnel and other people working on the frontline of the response during the height of the health crisis. Over the three month period more than $1.8 million was credited to over 7,000 Queensland customers

Phase 2 of the Toll Credit Program (1 July to 30 September) is now underway which is focused on supporting customers who have experienced financial difficulties as a result of COVID-19 – in particular those who have lost their jobs or had their hours reduced. On 12 August, it was announced that Phase 2 of the toll credit program would be extended for a further three months until the end of 2020.

Operating and financial review (continued)

Maintaining our people's wellbeing and productivity

Keeping our people safe, healthy, engaged and productive has been a key focus throughout the COVID-19 global pandemic.

With the technology and flexible work practices already in place to enable our people to work flexibly, we were well prepared for the transition to working from home with more than 95% of employees working remotely between March and June. To ensure our employees' remote work environments were ergonomically safe, the HSE and Facilities teams conducted online assessments and supplied equipment (such as keyboards, chairs and computer screens) where necessary.

For essential workers in the traffic control rooms or in incident management services, management implemented protocols around social distancing and cleaning, allowing employees to work safely while keeping our roads fully operational. Transurban Queensland employees commenced a phased return to the workplace from late May, with preventative measures in place to maintain social distancing and additional cleaning protocols.

Assisting suppliers

To assist our network of small business suppliers in the COVID-19 environment, the Group halved its standard payment terms from 30 to 14 days which was introduced in March. The Procurement Team worked closely with suppliers to manage any risks around supply chain shortages and disruption, particularly from shipping and freight companies. In some cases, management reviewed timelines for delivery of goods and services and extended contracts to give suppliers more certainty.

Community initiatives

In response to the unique challenges faced by the local community over the past year, including bushfires and the COVID-19 pandemic, Transurban Queensland expanded its social investment portfolio, providing direct support to people when they needed it most. This included a donation to bushfire relief support services, additional funding for existing partner Ronald McDonald House, the establishment of a new partnership with The Smith family, and tripling of our annual community grants investment program.

Operations

The below is a summary of the key operational highlights during the year:

- → New operations and maintenance contract signed combining the incident response and maintenance services for Gateway and Logan motorways with one service provider
- → Commenced Tolling as a Service for the State Government on the Toowoomba Bypass
- → Successfully relocated to new Corporate and Operations Centre offices in George Street and Clarence Road
- → Power purchase agreement executed with a wind farm in North Queensland to provide 80% renewable energy for Transurban Queensland
- → Road navigation beacons installed in all tunnels to assist customers when navigating through our assets
- → Partnered with Kidsafe Queensland to provide free car seat fittings and safety checks for Linkt customers
- → Completed two cycle parks as a community legacy of the Logan Enhancement Project
- → Expanded Linkt Assist (team, services and enhanced support information) and commitment to financial inclusion
- → Launched Linkt Customer Rewards, providing additional value to customers

Operating and financial review (continued)

Delivery

Logan Enhancement Project ('LEP')	Operations Centre ("Clarence")	Corporate Office ("George")
→ Total project cost $512.0 million, increased capacity and safety in key areas of the Logan Motorway. → Project completed August 2019. → Logan and Gateway Heavy Commercial Vehicle (HCV) tolls increased post-completion. → Two cycle parks delivered in Brisbane and Logan as a community legacy of the project.	→ Consolidation of four traffic control rooms in one single network operations centre. → Relocated TQ operations to Clarence road newly renovated building. → Completion expected June 2023.	→ Design, fit out and relocation of the TQ Corporate office from Eight Mile Plains to 300 George Street in Brisbane's CBD. → Completed June 2020.

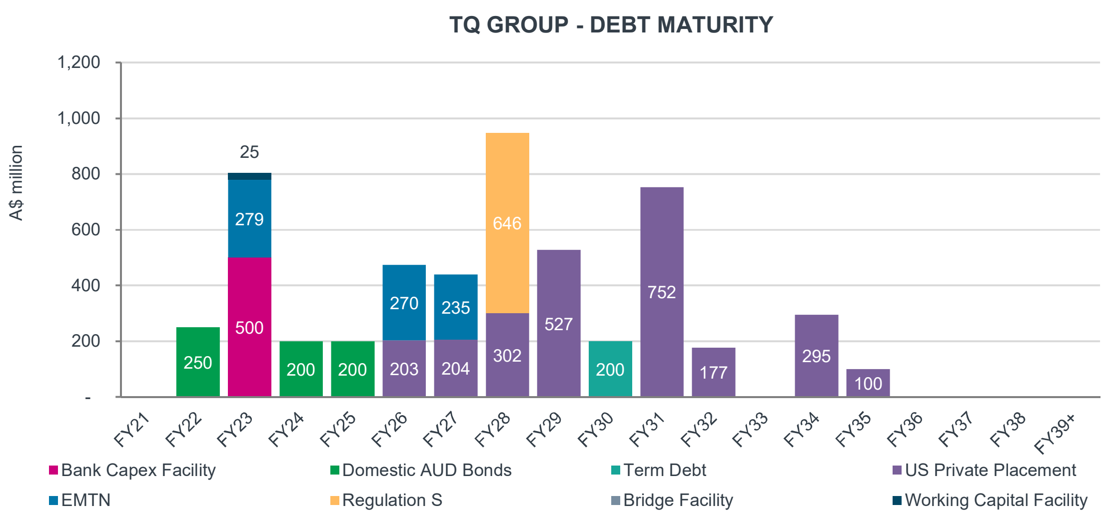
Financing activities

In August 2019 the Group refinanced its capital expenditure borrowing facility, establishing a new three year $500 million facility with a maturity of August 2022.

Whilst the Group credit rating of BBB was affirmed by Standard and Poor's Financial Services LLC rating service during the period, the outlook of the Group was changed from Stable to Negative as a result of COVID-19.

Debt maturity profiles

The following chart shows the Group's current debt maturity profile based on the total facilities available. The full value of available debt facilities is shown. Debt is shown in the financial year in which it matures. Debt values are shown in AUD as at 30 June 2020. CHF and USD debt is converted at the hedged rate where cross currency swaps are in place, to remove the risk of unfavourable exchange rate movements – refer to Note B11 of the financial statements.



Financial risk management

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

Operating and financial review (continued)

Sustainability

The Group's Sustainability Strategy align with the nine United Nations Sustainable Development Goals most relevant to the Group and its stakeholders. In doing so the commitment to the UN Global Compact and contribution to global sustainability efforts are reinforced.

This strategy is supported by a set of objectives and work program and is broken up into four themes

People, Planet, Places and Partnerships

During the period, Transurban Queensland delivered a range of sustainability initiatives under these themes, including:

People

- → Progressed the Transurban Queensland Reconciliation Action Plan.
- → Launched a new program with the Queensland Aboriginal and Torres Strait Islander Foundation Scholarships providing scholarships to local Indigenous students.
- → Gender Equality delivered programs such as Women in Leadership program and the Females Excelling in Engineering and Technology (FEET) initiative.

Planet

- → Crumbed Rubber Trial reuse of 1,000 light vehicles tyres in the asphalt binder of the Mt Gravatt Capalaba Road off-ramp.
- → Power Purchase Agreement established so that 80% renewable energy will be used to operate the Queensland network. A wind farm in Far North Queensland will start providing renewable energy for our Brisbane roads in early 2022.

Places

- → Opened two cycle parks in Brisbane and Logan. The cycle parks provide a safe space for kids to have fun, keep active and learn basic road rules.
- → Logan Enhancement Project Leading Rating has been awarded the first Leading rating in Queensland by the Infrastructure Sustainability Council of Australia (ISCA).
- → Gateway Sensors Project which involved leading edge sensor technology being installed for the monitoring to assist the monitoring and planning for predictive maintenance on the Gateway Bridge.

Partnerships

- → $500,000 invested in partnerships including:
  - → Bushfire relief donation;
  - → Legacy Brisbane Youth Leadership Program;
  - → Ronald McDonald House SEQ Charity Day partnership;
  - → Women at the Wheel – driver training program for refugee women;
  - → Gareema Women's Domestic Violence Refuge – emergency relief and driver training;
  - → Women's Legal Service – Home Safe Program;
  - → Smith Family – providing scholarships for disadvantaged students in Brisbane and Logan; and
  - → Good Shephard Australia & NZ – providing support to Linkt Assist's most vulnerable customers.

Operating and financial review (continued)

Business risks and opportunities

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

- → Ability to leverage capabilities to enhance the south-east Queensland network;
- → 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 support our agile working approach as appropriate during the COVID-19 pandemic; 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 results in future periods:

- → Reduced traffic volumes associated with the COVID-19 pandemic and related impacts on the economy;
- → 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 cyber-crime following COVID-19 and failure to protect our information; and
- → Failure of technical infrastructure.

Risk management

Managing risk is an essential part of the Group's business. Key risks are regularly reviewed by the Board, the Audit and Risk Review Committee, and the Queensland 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 Transurban 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 as the Group's external auditor, 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:

	2020 $	**2019 $**
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and other assurance services:		
Audit and review of financial reports	**511,000**	496,000
Other assurance services	**-**	25,000
Total remuneration for PricewaterhouseCoopers	**511,000**	521,000
Total auditor's remuneration	**511,000**	521,000

Operating and financial review (continued)

Indemnification and insurance

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

The Group has arranged to pay a premium for a Directors’ and Officers liability insurance policy to indemnify Directors and Officers in accordance with the terms and conditions of the policy. This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the insurer, the limit of liability and the premium paid for this policy.

Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) 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 million dollars, or in certain cases, to the nearest hundred thousand.

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

J Massey
Director

S Johnson
Director

Brisbane
31 August 2020

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 2020, 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.

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
31 August 2020

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Transurban Queensland Holdings 1 Pty Limited

ABN 64 169 090 804

Contents

Section A: Group financial statements

Transurban Queensland Holdings 1 Pty Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2020

	Note	2020 $M	2019 $M
Revenue	B4	**730.3**	866.5
Expenses			
Employee benefits expense		**(27.4)**	(22.9)
Management fees		**(27.4)**	(26.0)
Administrative expenses		**(10.2)**	(7.4)
Construction costs		**(91.1)**	(213.3)
Road operating costs		**(116.2)**	(127.3)
Total expenses		**(272.3)**	(396.9)
Earnings before depreciation, amortisation, net finance costs and income taxes		**458.0**	469.6
Depreciation		**(6.2)**	(8.0)
Amortisation	B13	**(238.0)**	(223.6)
Total depreciation and amortisation		**(244.2)**	(231.6)
Net finance costs	B9	**(319.0)**	(306.7)
Loss before income tax		**(105.2)**	(68.7)
Income tax benefit	B5	**12.9**	55.3
Loss for the year		**(92.3)**	(13.4)
(Loss)/profit attributable to:			
Ordinary securities holders of the stapled group			
- Attributable to TQH1		**(70.1)**	13.6
- Attributable to TQH2/TQI/TQIT		**(22.2)**	(27.0)
		(92.3)	(13.4)
Other comprehensive income			
Items that may be reclassified to the profit and loss in the future			
Changes in the fair value of cash flow hedges, net of tax		**113.9**	(62.2)
Other comprehensive income/(loss) for the year, net of tax		**113.9**	(62.2)
Total comprehensive income/(loss) for the year		**21.6**	(75.6)
Total comprehensive income for the year is attributable to:			
Ordinary security holders of the stapled group			
- Attributable to TQH1		**(70.1)**	13.6
- Attributable to TQH2/TQI/TQIT		**91.7**	(89.2)
		21.6	(75.6)

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

	Note	2020 $M	2019 $M
ASSETS			
Current assets			
Cash and cash equivalents	B6	**116.7**	92.1
Trade and other receivables	B6	**27.9**	32.6
Current tax asset		**0.3**	0.1
Total current assets		**144.9**	124.8
Non-current assets			
Derivative financial instruments	B11	**299.4**	56.2
Property, plant and equipment[1]		**83.8**	22.0
Deferred tax assets	B5	**807.9**	838.0
Goodwill	B12	**204.7**	204.7
Other intangible assets	B13	**7,789.8**	8,010.2
Total non-current assets		**9,185.6**	9,131.1
Total assets		**9,330.5**	9,255.9
LIABILITIES			
Current liabilities			
Trade and other payables	B6	**76.5**	78.1
Maintenance provision	B14	**36.8**	85.0
Other provisions		**62.3**	124.3
Other liabilities[2]	B7	**54.7**	54.3
Total current liabilities		**230.3**	341.7
Non-current liabilities			
Borrowings	B10	**5,420.5**	5,075.2
Maintenance provision	B14	**563.9**	535.3
Other provisions		**0.6**	0.7
Other liabilities[2]	B7	**21.2**	1.4
Derivative financial instruments	B11	**71.4**	108.9
Shareholder loans	B23	**771.7**	778.2
Total non-current liabilities		**6,849.3**	6,499.7
Total liabilities		**7,079.6**	6,841.4
Net assets		**2,250.9**	2,414.5
EQUITY			
Contributed equity		**568.9**	568.9
Accumulated losses		**(421.5)**	(351.3)
Equity attributable to other members of the stapled group (TQH2/TQI/TQIT)		**2,103.5**	2,196.9
Total equity		**2,250.9**	2,414.5

1. The Group adopted AASB 16 *Leases* (AASB 16) on 1 July 2019 and has presented right-of-use assets within property, plant and equipment as at 30 June 2020 the same line item that the corresponding underlying asset would be presented were it owned.
2. Upon adoption of AASB 16 the Group has presented lease liabilities within other liabilities as at 30 June 2020.

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	Equity attributable to other members – TQH2, TQI & TQIT $M	Total equity $M
Balance at 30 June 2018 as originally presented	4,546.0	568.9	-	(352.1)	2,666.6	2,883.4
Change in accounting policy[1]	-	-	-	(12.8)	-	(12.8)
Balance at 1 July 2018	4,546.0	568.9	-	(364.9)	2,666.6	2,870.6
Comprehensive income						
(Loss)/proft for the year	-	-	-	13.6	(27.0)	(13.4)
Other comprehensive loss	-	-	-	-	(62.2)	(62.2)
Total comprehensive income/(loss)	-	-	-	13.6	(89.2)	(75.6)
Transactions with owners in their capacity as owners:						
Dividends/distributions provided for or paid [2]	-	-	-	-	(380.5)	(380.5)
	-	-	-	-	(380.5)	(380.5)
Balance at 30 June 2019 as originally presented	4,546.0	568.9	-	(351.3)	2,196.9	2,414.5
Change in accounting policy[3]	**-**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Balance at 1 July 2019	**4,546.0**	**568.9**	**-**	**(351.4)**	**2,196.9**	**2,414.4**
Comprehensive income						
Loss for the year	**-**	**-**	**-**	**(70.1)**	**(22.2)**	**(92.3)**
Other comprehensive income	**-**	**-**	**-**	**-**	**113.9**	**113.9**
Total comprehensive income/(loss)	**-**	**-**	**-**	**(70.1)**	**91.7**	**21.6**
Transactions with owners in their capacity as owners:						
Dividends/distributions provided for or paid[2]	**-**	**-**	**-**	**-**	**(185.1)**	**(185.1)**
	-	**-**	**-**	**-**	**(185.1)**	**(185.1)**
Balance at 30 June 2020	**4,546.0**	**568.9**	**-**	**(421.5)**	**2,103.5**	**2,250.9**

1. Relates to the change in accounting policy upon the initial adoption of AASB 9 *Financial Instruments* from 1 July 2018. The reclassifications and the adjustments which arose from the new standard were not reflected in the restated balance sheet as at 30 June 2018, but were recognised in the opening balance sheet on 1 July 2018.
2. Refer to Note B8 for further details of dividends and distributions provided for or paid.
3. Refer to Note B3 for further details on the change in accounting policy relating to AASB16 leases from 1 July 2019.

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

	Note	2020 $M	2019 $M
Cash flows from operating activities			
Receipts from customers		**696.2**	706.5
Payments to suppliers and employees		**(199.1)**	(216.5)
Payments for maintenance of intangible assets		**(80.3)**	(72.9)
Other cash receipts		**8.5**	10.1
Interest received		**1.7**	2.5
Interest/debt fees paid		**(229.7)**	(205.4)
Shareholder loan note interest paid		**(65.2)**	(65.3)
Income taxes paid		**(0.4)**	(0.1)
Net cash inflow from operating activities	(a)	**131.7**	158.9
Cash flows from investing activities			
Payments for intangible assets		**(102.0)**	(243.2)
Payments for property, plant and equipment		**(42.1)**	(8.9)
Net cash outflow from investing activities		**(144.1)**	(252.1)
Cash flows from financing activities			
Proceeds from borrowings (net of costs)	(b)	**230.6**	1,158.2
Repayment of borrowings		**-**	(635.5)
Principal repayment of leases		**(2.0)**	-
Redemption of shareholder loan notes	(b)	**(6.5)**	(44.0)
Dividends and distributions paid	B8	**(185.1)**	(380.5)
Net cash inflow from financing activities		**37.0**	98.2
Net increase in cash and cash equivalents		**24.6**	5.0
Cash and cash equivalents at the beginning of the year		**92.1**	87.1
Cash and cash equivalents at end of the year	B6	**116.7**	92.1

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

	2020 $M	2019 $M
Loss for the year	**(92.3)**	(13.4)
Depreciation and amortisation	**244.2**	231.6
Non-cash net finance costs	**37.6**	36.9
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**2.9**	(18.6)
(Decrease)/increase in operating creditors and accruals	**(19.3)**	5.8
Decrease in provisions	**(42.5)**	(32.3)
Decrease/(increase) in deferred and current taxes	**3.5**	(55.7)
(Decrease)/increase in other liabilities	**(2.4)**	4.6
Net cash inflow from operating activities	**131.7**	158.9

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 loan notes $M	Debt principal related derivatives (included in assets / liabilities)[1] $M	Total debt related financial instruments $M
Balance at 1 July 2018	4,369.5	822.2	(220.6)	4,971.1
Proceeds from borrowings (net of costs)	1,158.2	-	-	1,158.2
Repayment of borrowings	(635.5)	-	-	(635.5)
Redemption of shareholder loan notes	-	(44.0)	-	(44.0)
Total cash flows	522.7	(44.0)	-	478.7
Non-cash changes				
Foreign exchange movements	178.7	-	(88.8)	89.9
Capitalised interest	-	-	-	-
Amortisation of borrowing costs	4.3	-	-	4.3
Total non-cash changes	183.0	-	(88.8)	94.2
Balance at 30 June 2019	5,075.2	778.2	(309.4)	5,544.0
Balance at 1 July 2019	**5,075.2**	**778.2**	**(309.4)**	**5,544.0**
Proceeds from borrowings (net of costs)	**230.6**	**-**	**-**	**230.6**
Repayment of borrowings	**-**	**-**	**-**	**-**
Redemption of shareholder loan notes	**-**	**(6.5)**	**-**	**(6.5)**
Total cash flows	**230.6**	**(6.5)**	**-**	**224.1**
Non-cash changes				
Foreign exchange movements	**102.3**	**-**	**(209.3)**	**(107.0)**
Capitalised interest	**-**	**-**	**-**	**-**
Amortisation of borrowing costs	**12.4**	**-**	**-**	**12.4**
Total non-cash changes	**114.7**	**-**	**(209.3)**	**(94.6)**
Balance at 30 June 2020	**5,420.5**	**771.7**	**(518.7)**	**5,673.5**

1. Total derivatives balance at 30 June 2020 is an asset of $228.0 million (2019: $52.7 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.

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

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 (TQI) as trustee for the Transurban Queensland Invest Trust and its controlled entities (TQIT). The equity securities of TQH1, TQH2, TQI and TQIT are stapled and cannot be dealt separately. The Group is a for-profit entity. 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 TQI, 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 2020 were authorised for issue in accordance with a resolution of the Directors on 31 August 2020. Directors have the power to amend and reissue the financial statements.

B2 Summary of significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events during the reporting period:

Coronavirus global pandemic and the related government mandated restrictions (COVID-19)

COVID-19 has impacted the Group's operations, particularly traffic volumes and toll revenue. A significant decline in traffic was observed in March and early April 2020, before a progressive improvement in traffic volumes was observed from mid-April 2020 as government restrictions eased. Except for the impact on toll revenue and the related decline in cash receipts, there has been no other significant impact to the Group's operations, cash flow or overall financial position for the current reporting period resulting from COVID-19. The Group's concession road assets have remained fully operational throughout the period.

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;
- apart from the accounting standard early adopted as set out in this note, 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 (including derivative financial instruments);
- are presented in Australian dollars, which is the Group's functional and presentation currency;
- have been rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191; and
- have restated the presentation of comparative amounts, where applicable, to conform to the current period presentation.

B3 Basis of preparation (continued)

Going concern

The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. In determining the appropriateness of the basis of preparation, the Directors have also considered the impact of COVID-19 on the Group's operations and in particular the next 12 months from the financial statements release date on 31 August 2020.

While the long-term strategy of the Group remains unchanged, the ongoing impact of COVID-19 is uncertain and represents a significant risk to the global economy. For the Group, traffic performance is expected to remain sensitive to future government responses to COVID-19 outbreaks, as well as global economic conditions.

In response to this uncertainty, the Group has critically assessed cash flow forecasts for the 12 months from the date of this report, taking into consideration an estimate of the potential continued impacts of COVID-19. In addition, the Group has considered the ability to fund its net current liability position as at 30 June 2020 of $85.4 million (2019: $216.9 million). Furthermore, the Group has considered its ability to obtain the required funding through credit markets and the current status of planning for refinancing $250 million of debt maturing in December 2021. Scenario analysis has been undertaken on cash flow forecasts to reflect reasonably possible changes in traffic volume and includes cash on hand as at 30 June 2020. Based on the analysis, which includes judgement, the Group is expected to have sufficient headroom to continue to operate within available cash levels and the terms of its debt facilities for 12 months from the date of this report.

The Group has also forecast that it does not expect to breach any covenants within the next 12 months from the date of this report. Covenant forecasts utilised the same underlying cash flow forecasts as those described above. Corporate and non-recourse debt covenants are calculated on a trailing 12 month basis, therefore moderating short-term earnings impacts.

Furthermore, the Directors have also taken the following matters into consideration in forming the view that the Group is a going concern:

- The Group has cash and cash equivalents of $116.7 million as at 30 June 2020;
- The Group has available a total of $289.5 million of undrawn borrowing facilities with a maturity beyond 12 months. The undrawn capital expenditure facility of $267.6 million is available to fund major capital expenditure projects or for general corporate purposes. The Group has $21.9 million of an undrawn working capital facility to provide additional liquidity;
- The Group expects to be able to refinance its debt maturing in December 2021, before the maturity date;
- The Group has the ability to fund the net current liability position through the generation of cash in the next 12 months and the use of undrawn facilities; and
- The Group has paid $185.1 million of distributions and $6.5 million of shareholder loan note redemptions over the past 12 months. Payment of future distributions is at the discretion of the Board.

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 the profit and loss, except when they are deferred in equity as qualifying cash flow hedges or are qualifying net investment hedges.

New and amended standards and interpretations

The Group has adopted the following new and amended accounting standards and interpretations which became effective for the annual reporting period commencing 1 July 2019. The Group's assessment of the impact of these new standards and interpretations is set out below.

B3 Basis of preparation (continued)

New and amended standards and interpretations (continued)

Reference | **Description and impact on the Group**

AASB 16
Leases

AASB 16 modifies the accounting for leases by removing the 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.

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised $3.4 million of lease liabilities relating to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 *Leases*. These leases relate to office space that the Group leases from third parties. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 4.84%.

The below is a reconciliation of operating lease commitments as at 30 June 2019 to the lease liabilities recognised as at 1 July 2019:

	$M
Operating lease commitments disclosed as at 30 June 2019	19.1
(Less): lease commitments where lease commencement is after initial adoption date	(15.4)
	3.7
Discount from using the lessee’s incremental borrowing rate at the date of initial application	(0.3)
Lease liabilities recognised at 1 July 2019	**3.4**

The associated right-of-use assets for these leases amounted to $3.3 million. They were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Deferred tax assets of $nil were also recognised. Overall net assets were $0.1 million lower.

Practical expedients applied

In applying AASB 16 for the first time, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and AASB Interpretation 4 *Determining whether an Arrangement contains a Lease.*

Cross-staple lease arrangements

There are a number of cross-staple lease arrangements between the Trust, as the lessor, and the operating Company, as the lessee. These arrangements relate to rights held by the operating Company over concession intangible assets recorded by the Trust. As permitted under the scope provisions in AASB 16, the operating Company has elected to adopt an accounting policy and not apply the standard to leases of intangible assets. There is no impact on the Group as these arrangements are eliminated on consolidation.

The new accounting policies are disclosed in Note B22 Leases.

B3 Basis of preparation (continued)

New and amended standards and interpretations (continued)

Reference	Description and impact on the Group
Interpretation 23 *Uncertainty over income tax treatment*	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. The adoption of this interpretation did not have a material impact on the Group.
AASB 2018-1 *Annual improvements 2015-2017 cycle*	Amendments were 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; and • 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. The adoption of the amendments did not have a material impact on the Group.
AASB 2019-3 *Amendments to Australian Accounting Standards—Interest Rate Benchmark Reform*	The Group has elected to early adopt AASB 2019-3. The standard amends AASB 7 *Financial Instruments: Disclosures*, AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement* to provide certain relief for hedge accounting in the period before benchmark interest rates are replaced by global regulators. The relief enables hedge accounting to continue for certain hedging relationships that might otherwise need to be discontinued due to uncertainties arising from the interest rate reform. The adoption of the amendments did not have a material impact on the Group.

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for the year ended 30 June 2020. 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 2014-10 *Amendments to Australian Accounting Standards— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The AASB has made limited scope amendments to AASB 10 Consolidated financial statements and AASB 128 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in AASB 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture. Application of the new standard is prospective and is not expected to materially impact the Group.	1 January 2022	1 July 2022
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	Amendments to AASB 3 revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be a business without outputs, there will need to be an organised workforce. Application of the new standard is prospective for acquisitions following the application date by the Group and is not expected to materially impact the Group. The changes to the definition of a business may result in more acquisitions being accounted for as an asset acquisition by the Group.	1 January 2020	1 July 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	Amendments are primarily to AASB 101 and AASB 108 to refine the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. Application of the amendments is not expected to materially impact the Group.	1 January 2020	1 July 2020

B3 Basis of preparation (continued)

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

Reference	Description and impact on the Group	Application of the standard	Application by the Group
AASB 2019-1 *Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – References to the Conceptual Framework*	The Australian Accounting Standards Board (AASB) issued a revised Conceptual Framework which will initially only apply to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards (AAS), and to other for-profit entities that elect to apply it. The key amendments made include revising the definition and recognition criteria for assets, liabilities, income and expenses, and other relevant financial reporting concepts. No changes have been made to existing AAS however, the updated concepts should be used when an existing accounting standard does not provide relevant guidance for a transaction. AASB 2019-1 makes consequential changes to other standards so that they retain the previous Framework for the preparation and presentation of financial statements for entities that do not have to apply the revised Framework. The revised Framework is not expected to materially impact the Group given there is no change to existing AAS and there are no existing transactions that require the application of the revised Framework.	1 January 2020	1 July 2020
AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	Amendments are to AASB 1054 to clarify that in order for an entity to assert compliance with IFRS Standards in its financial statements, it is required to disclose the potential effect on its financial statements of an IFRS Standard that has not yet been issued by AASB as at reporting date. Application of the amendments is not expected to materially impact the Group.	1 January 2020	1 July 2020
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	Amendments are to AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. Application of the amendments is not expected to materially impact the Group.	1 January 2022	1 July 2022

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 2020-3 *Annual improvements 2018–2020 Cycle and Other Amendments*	The following small amendments were made to accounting standards: • Annual Improvements 2018-2020 Cycle make minor amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards*, AASB 9 *Financial Instruments* and the Illustrative Examples accompanying AASB 16 *Leases* to clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards; • Amendments to AASB 3 *Business Combinations* update a reference in AASB 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; • Amendments to AASB *116 Property, Plant and Equipment* require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in the profit and loss, instead of deducting the amounts received from the cost of the asset; and • Amendments to AASB *137 Provisions, Contingent Liabilities and Contingent Assets* clarify which costs a company includes when assessing whether a contract will be onerous. The application of the above amendments are prospective following the application date by the Group and is not expected to materially impact the Group.	1 January 2022	1 July 2022
AASB 2020-4 *Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions*	This standard amends AASB 16 to provide lessees with an optional practical expedient in assessing whether a COVID-19 related rent concession is a lease modification. The optional practical expedient allows any impact from the change in lease payments (originally due before 30 June 2021) to be recognised directly in the profit and loss. The amending standard also requires disclosure of the use of the election and the amount recognised in the profit and loss as a result. Application of this standard is not expected to materially impact the Group.	1 June 2020	1 July 2020

B3 Basis of preparation (continued)

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

Critical accounting estimates and judgements

Estimates and judgements are regularly made 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 amount of assets and liabilities are as follows:

Provision for income taxes and the utilisation of tax losses	Note B5
Fair value of derivatives and other financial instruments	Note B11
Recoverability of goodwill and other intangible assets	Note B12 and Note B13
Provision for maintenance expenditure	Note B14
Contingencies	Note B19

Key estimate and judgement

The Group has made a number of estimates and judgements as at 30 June 2020 as a result of COVID-19. These estimates and judgements are included in the notes to the financial statements as applicable.

Operating performance

B4 Revenue

	2020 $M	2019 $M
Toll revenue	**630.8**	643.0
Construction revenue	**91.1**	213.3
Other revenue	**8.4**	10.2
Total revenue	**730.3**	866.5

The Group's principal revenue generating activities, being service concession arrangements, are accounted for in accordance with AASB Interpretation 12 *Service Concession Arrangements* (IFRIC 12) and AASB 15 *Revenue from Contracts with Customers*. These accounting pronouncements specify that operations and maintenance services and construction services provided under the Group's service concession arrangements are two distinct types of services.

Service concession arrangements – intangible asset model

The Group's service concession arrangements fall under the intangible asset model. The revenue streams covered by this model are Toll revenue and Construction revenue. Revenue recognition principles for these revenue streams are discussed below:

Revenue type	Recognition
Toll revenue	The customer of the operations and maintenance services is the user of the infrastructure. Each use made of the toll road by users is considered a performance obligation. The related revenue is recognised at the point in time that the individual service is provided and the amount is determined to be recoverable by the Group. Total toll revenue is net of any revenue share arrangements that the Group has triggered during the reporting period.
Construction revenue	The customer with respect to construction services is the concession grantor. Construction services are accounted for as one performance obligation and revenue is recognised in line with the progress of construction services provided over time. The progress of construction is measured by reference to costs incurred to date. Revenue is measured at fair value by reference to the stand-alone selling price.

Other revenue

Other revenue includes management fee revenue, roaming fee revenue and advertising revenue and is recognised at the point in time the service is provided. Additionally, other revenue includes tolling services provided to third parties for which revenue is recognised over the period the service is provided. It also includes compensation received from third parties for a loss of toll revenue due to delays with construction completion, which is recognised when it is reasonably assured it will be collected.

Interest income – receivables

Interest income (refer Note B9) from bank deposits is recognised using the effective interest method.

B5 Income tax

Income tax expense/(benefit)

	2020 $M	2019 $M
Current tax	**(24.5)**	2.3
Deferred tax	**11.2**	(4.6)
(Over)/under provision in prior years	**0.4**	(53.0)
	(12.9)	(55.3)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
Decrease in deferred tax assets	**13.5**	9.6
(Decrease)/increase in deferred tax liabilities	**(2.3)**	(14.2)
	11.2	(4.6)

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

	2020 $M	2019 $M
Loss before income tax expense/(benefit)	**(105.2)**	(68.7)
Tax at the Australian tax rate of 30.0% (2019: 30.0%)	**(31.6)**	(20.6)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	**6.7**	7.8
Sundry items	**3.5**	5.9
Non-deductible expenses	**8.1**	4.6
(Over)/under provision in prior years	**0.4**	(53.0)
Income tax benefit	**(12.9)**	(55.3)
Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	**43.3**	(26.2)
	43.3	(26.2)

(Over)/under provision in prior years

Included in the (over)/under provision for the year ended 30 June 2019 is a $63.6 million adjustment to the tax base for the Legacy Way concession asset following confirmation in the period of the availability of certain deductions that existed at the acquisition date of Transurban Queensland in 2014.

B5 Income tax (continued)

Deferred tax assets and liabilities

	Assets		Liabilities	
	2020 $M	**2019 $M**	**2020 $M**	**2019 $M**
The balance comprises temporary differences attributable to:				
Provisions	**229.3**	232.8	**-**	-
Current and prior year losses	**146.4**	121.0	**-**	-
Fixed assets/intangibles	**546.2**	553.2	**(159.7)**	(161.8)
Lease liabilities	**0.6**	-	**-**	-
Derivatives and foreign exchange	**45.1**	92.8	**-**	-
Tax assets/(liabilities)	**967.6**	999.8	**(159.7)**	(161.8)
Set-off of tax	**(159.7)**	(161.8)	**159.7**	161.8
Net tax assets/(liabilities)	**807.9**	838.0	**-**	-
Movements:				
Closing balance at 30 June	**999.8**	927.9	**(161.8)**	(177.4)
Change in accounting policy[1,2]	**-**	5.5	**-**	-
Opening balance at 1 July	**999.8**	933.4	**(161.8)**	(177.4)
Credited/(charged) to the statement of comprehensive income	**(13.5)**	(9.6)	**2.3**	14.2
Credited/(charged) to equity	**(43.3)**	26.2	**-**	-
Current year losses recognised/(prior year losses utilised)	**25.4**	(1.8)	**-**	-
Other	**(0.8)**	51.6	**(0.2)**	1.4
Closing balance at 30 June	**967.6**	999.8	**(159.7)**	(161.8)
Deferred tax assets/(liabilities) to be recovered/(paid) after more than 12 months	**967.6**	999.8	**(159.7)**	(161.8)

1. For the year ended 30 June 2020, the deferred tax impact from the change in accounting policy relates to the initial adoption of AASB 16 *Leases* from 1 July 2019. Refer to Note B3 for further details on the change in accounting policy.
2. For the year ended 30 June 2019, the deferred tax impact from the change in accounting policy relates to the initial adoption of AASB 9 *Financial Instruments* from 1 July 2018.

The Group has reviewed its deferred tax assets with reference to the potential impact of COVID-19 on forecast taxable profits. Management have determined that it is probable that future taxable profits will be available to utilise against deferred tax assets recognised as at 30 June 2020.

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 evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish 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, security holders pay 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.

B5 Income tax (continued)

Accounting policy (continued)

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.

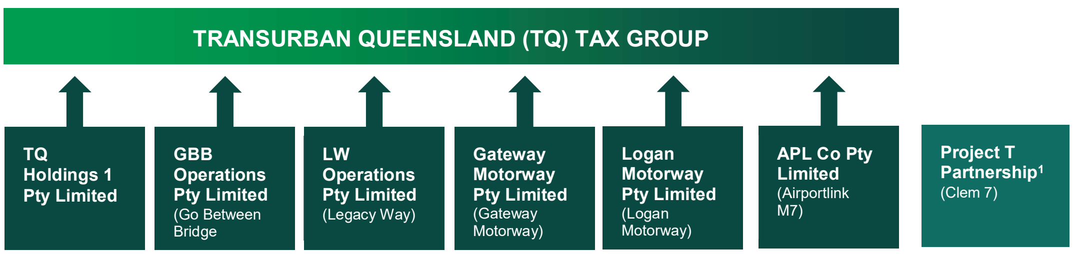
Current and deferred tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Tax consolidation legislation

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

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

The TQH1 tax consolidated group is summarised as follows:



1. This is entity is classified as a partnership for tax purposes.

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.

B5 Income tax (continued)

Key estimate and judgement

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 have reviewed forecast taxable profits including the potential impact of COVID-19 and have recognised deferred tax assets in relation to tax losses.

B6 Working capital

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

	2020 $M	2019 $M
Current assets		
Cash and cash equivalents	**116.7**	92.1
	116.7	92.1
Trade receivables	**17.4**	15.8
Other receivables	**10.5**	16.8
	27.9	32.6
	144.6	124.7
Current liabilities		
Trade and other payables	**(76.5)**	(78.1)
Net working capital	**68.1**	46.6

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 $7.7 million not available for general use at 30 June 2020 (2019: $8.8 million).

Trade receivables

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

B6 Working capital (continued)

Trade receivables (continued)

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

As at 30 June 2020, the expected loss rates have been adjusted to incorporate forward-looking information about the potential impacts of COVID-19, including the impact of COVID-19 initiatives implemented by the Group to extend credit to support customers facing financial hardship. Such forward-looking information reflects management's estimate based on the information available as at 30 June 2020, noting the uncertainty in relation to the magnitude and duration of COVID-19 impacts on the collectability of trade receivables.

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables:

30 June 2020	Current	Up to 90 days past due	More than 90 days past due	Total
Expected loss rate	**3%**	**2%**	**97%**	**N/A**[1]
Gross carrying amount ($M)	**11.2**	**6.3**	**9.3**	**26.8**
Loss allowance ($M)	**(0.3)**	**(0.1)**	**(9.0)**	**(9.4)**

30 June 2019	Current	Up to 90 days past due	More than 90 days past due	Total
Expected loss rate	1%	13%	100%	N/A[1]
Gross carrying amount ($M)	13.3	3.0	8.8	25.1
Loss allowance ($M)	(0.1)	(0.4)	(8.8)	(9.3)

[1] N/A – Not applicable

The closing loss allowances for trade receivables reconciles to the opening loss allowance as follows:

	2020 $M	2019 $M
Opening loss allowance	**9.3**	11.5
Increase in loss allowance recognised in the profit and loss during the year	**0.8**	0.9
Receivables written off during the year as uncollectible	**(0.7)**	(3.1)
Closing loss allowance	**9.4**	9.3

As at 30 June 2020, the expected loss rate and loss allowance has increased in line with management's estimates of COVID-19 impacts and other macroeconomic factors that are expected to impact the ability of customers to settle receivables.

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

Other financial assets at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Other financial assets at amortised cost include other receivables recorded within trade and other receivables. The Group's expected credit loss for other financial assets is $9.2 million (2019: $9.2 million). The expected credit loss relates to a subset of other financial assets that have specific credit risk characteristics, with the expected credit loss being equivalent to the gross carrying amount of $9 million (2019: $9 million).

B6 Working capital (continued)

Other financial assets at amortised cost (continued)

For the Group's remaining other financial assets at amortised cost, as at 30 June 2020, management have assessed the impacts arising from COVID-19 and do not consider there to be evidence of a significant increase in credit risk since initial recognition of these balances. This is mainly due to there being no significant change in the nature of or the collectability of these balances. The loss allowance for these other financial assets is limited to 12 months expected losses. These balances continue to have low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The loss allowance for these other financial assets is $nil (2019: $nil).Y

B7 Other liabilities

	2020 $M	2019 $M
Current		
Prepaid tolls	**52.5**	54.1
Other liabilities	**-**	0.2
Leases (refer to Note B22)	**2.2**	-
Total other current liabilities	**54.7**	54.3
Non-current		
Leases (refer to Note B22)	**19.8**	-
Other liabilities	**1.4**	1.4
Total other non-current liabilities	**21.2**	1.4
Total other liabilities	**75.9**	55.7

Prepaid tolls

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

Security holder outcomes

B8 Dividends/distributions

Distributions paid by the Group

	Total $M	Paid in cash $M	cps	Date paid/ Payable
2019				
Quarter ended 30 September 2018				
Distribution – TQIT	37.5	37.5	0.8	
	37.5	37.5	0.8	30 September 2018
Quarter ended 31 December 2018				
Distribution – TQIT	47.0	47.0	1.0	
	47.0	47.0	1.0	31 December 2018
Quarter ended 31 March 2019				
Distribution –TQIT	36.0	36.0	0.8	
	36.0	36.0	0.8	31 March 2019
Quarter ended 30 June 2019				
Distribution – TQIT	230.0	230.0	5.1	15 May 2019
Distribution – TQIT	30.0	30.0	0.7	30 June 2019
	260.0	260.0	5.8	
Total paid FY19	380.5	380.5	8.4	
2020				
Quarter ended 30 September 2019				
Distribution – TQIT	**19.0**	**19.0**	**0.4**	
	19.0	**19.0**	**0.4**	30 September 2019
Quarter ended 31 December 2019				
Distribution – TQIT	**62.4**	**62.4**	**1.4**	
	62.4	**62.4**	**1.4**	31 December 2019
Quarter ended 31 March 2020				
Distribution –TQIT	**82.2**	**82.2**	**1.8**	31 March 2020
	82.2	**82.2**	**1.8**	
Quarter ended 30 June 2020				
Distribution – TQIT	**21.5**	**21.5**	**0.5**	30 June 2020
	21.5	**21.5**	**0.5**	
Total paid FY20	**185.1**	**185.1**	**4.1**	

Distribution policy

The Group's distribution policy is to align distributions with actual available cash from operations after the servicing of external debt interest. For this purpose, distributions includes the redemption of shareholder loan note principal (refer to Note B23).

Capital and borrowings

B9 Net finance costs

	2020 $M	2019 $M
Finance income		
Interest income on bank deposits	**1.5**	2.5
Total finance income	**1.5**	2.5
Finance costs		
Interest and finance charges paid/payable	**(220.7)**	(210.0)
Related party interest and finance charges	**(65.4)**	(65.3)
Unwind of discount and re-measurement on other liabilities	**(34.4)**	(33.9)
Total finance costs	**(320.5)**	(309.2)
Net finance costs	**(319.0)**	(306.7)

In addition to the net finance costs (shown above) that are included in the profit and loss, $9.1 million (2019: $9.4 million) of financing costs have been capitalised and included in the carrying value of concession assets (refer to Note B13) and $0.4 million (2019: $nil) financing costs have been capitalised and included in the carrying value of property, plant and equipment.

B10 Borrowings

	2020 $M	2019 $M
Non-current		
Capital markets debt	**2,262.9**	2,196.4
U.S. private placement	**2,725.4**	2,679.3
Term debt	**432.2**	199.5
Total non-current borrowings	**5,420.5**	5,075.2
Total borrowings	**5,420.5**	5,075.2

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 the profit and 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 the profit and loss as finance income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

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

B10 Borrowings (continued)

Financing arrangements and credit facilities

During the reporting period the Group established an A$500 million syndicated bank debt facility with a 3 year tenor and an A$25 million 3 year working capital facility.

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

Non-recourse debt	Maturity	Carrying value 2020 $M	Carrying value 2019 $M
Working capital facilities			
AUD 25 million facility[1]	Aug 2022	**-**	-
Capital markets debt			
Domestic bond AUD 250m	Dec 2021	**250.0**	250.0
EMTN CHF 200m	Jun 2023	**306.2**	292.5
Domestic bond AUD 200m	Oct 2023	**200.0**	200.0
Domestic bond AUD 200m	Dec 2024	**200.0**	200.0
EMTN CHF 175m	Nov 2026	**267.9**	255.9
EMTN CHF 200m	Dec 2025	**306.2**	292.5
EMTN Reg S USD 500m	Apr 2028	**729.2**	712.8
U.S. Private Placement			
Sep 2015 - Tranche A USD 155m	Sep 2025	**226.1**	221.0
Dec 2016 - Tranche A USD 130m	Dec 2026	**189.6**	185.3
Dec 2016 - Tranche D AUD 35m	Dec 2026	**35.0**	35.0
Sep 2015 - Tranche B USD 230m	Sep 2027	**335.4**	327.9
Dec 2016 - Tranche B USD 225m	Dec 2028	**328.2**	320.8
Sep 2015 - Tranche C USD 256m	Sep 2030	**373.4**	365.0
Sep 2015 - Tranche D AUD 70m	Sep 2030	**70.0**	70.0
Dec 2016 - Tranche C USD 78m	Dec 2031	**113.8**	111.1
Dec 2016 - Tranche E AUD 75m	Dec 2031	**75.0**	75.0
Dec 2016 - Tranche F AUD 100m	Jan 2035	**100.0**	100.0
May 2019 - Tranche A USD 30m	May 2029	**30.0**	30.0
May 2019 - Tranche B USD 40m	May 2031	**40.0**	40.0
May 2019 - Tranche C USD 144m	May 2034	**210.0**	205.3
May 2019 - Tranche D USD 245m	May 2029	**357.3**	349.3
May 2019 - Tranche E USD 180m	May 2034	**262.5**	256.6
Term debt			
Capex facility AUD 500m[2]	Aug 2022	**232.4**	-
Term Debt AUD 200m	Apr 2030	**200.0**	200.0
Net capitalised borrowing costs		**(17.7)**	(20.8)
Total non-recourse debt, net of capitalised borrowing costs		**5,420.5**	5,075.2

1. This facility was refinanced during FY20.

2. This facility was refinanced during FY20. This facility was reduced by $593 million during FY19.

B10 Borrowings (continued)

Financing arrangements and credit facilities (continued)

Working capital facilities

The Transurban Queensland Finance facility is secured against the respective rights of TQH1, TQH2, TQIT and their assets. At 30 June 2020 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 US$2.0 billion. Under the programme, Transurban Queensland Finance may from time to time issue notes denominated in any currency. These notes are secured against the respective rights of TQH1, TQH2, TQIT and their assets.

U.S. private placement

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

Term debt

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

Shareholder loan notes

The loans to Transurban Queensland from the acquisition consortium partners are unsecured. Refer to Note B23 for further details on shareholder loan notes.

Corporate credit facilities

	2020 $M			2019 $M	
	Maturity date	Facility amount	Amount issued	Facility amount	Amount issued
Working capital facility[1]	Aug 2022	3	3	-	-

1. Transurban Queensland $3 million letter of credit facility was refinanced in FY20. The $3 million drawn reflects letters of credit issued as these are not available to be drawn for working capital purposes.

Covenants

The Group's consolidated borrowings include a financial covenant, which is listed below. There have been no breaches of this covenant during the year.

The Group monitors covenants by applying forecast cash flows to ensure ongoing compliance with its obligations. This enables capital management decisions to be made at the asset level (including distributions) and considers any management actions that can be undertaken should actual cash flows not perform to budget. Refer to the Group's going concern note (Note B3) for disclosure concerning forecast debt covenants that consider the impact of COVID-19.

Non-recourse debt covenants are calculated on a trailing 12 month basis, moderating short-term earning impacts. A trailing 12 month metric also enables management action to be taken swiftly to mitigate the risks of any covenants breaches.

Non-Recourse Debt

Covenant	Covenant breach threshold
Transurban Queensland Finance Interest Coverage Ratio	Less than 1.20 times

B11 Derivatives and financial risk management

Derivatives

	2020 $M Current	2020 $M Non-current	2019 $M Current	2019 $M Non-current
Assets				
Cross-currency interest rate swap contracts – cash flow hedges	**-**	**299.4**	-	56.2
Total derivative financial instrument assets	**-**	**299.4**	-	56.2
Liabilities				
Interest rate swap contracts – cash flow hedges	**-**	**71.4**	-	50.3
Cross-currency interest rate swap contracts – cash flow hedges	**-**	**-**	-	58.6
Total derivative financial instrument liabilities	**-**	**71.4**	-	108.9

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in 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.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps and cross currency swaps hedging fixed rate borrowings is recognised in the profit and loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the profit and loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to the profit and loss over the period to maturity using a recalculated effective interest rate.

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 the profit and loss.

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

B11 Derivatives and financial risk management (continued)

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 100% (2019: 100%) of the variable debt held by the Group (excluding working capital facilities).

Cross-currency interest rate contracts – cash flow hedges

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

Offsetting financial assets and financial liabilities

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

Financial risk management

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

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

Market risk

Foreign exchange risk

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

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

The Group uses hedging instruments such as cross-currency swaps to manage these exposures.

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

	2020 $M	2019 $M
Cross-currency interest rate swaps		
Carrying amount	**299.4**	(2.4)
Notional amount	**3,640.0**	3,640.0
Maturity dates	**Jun 2023 to May 2034**	Jun 2023 to May 2034
Hedge ratio	**1:1**	1:1
Change in discounted value of outstanding hedging instruments since 1 July	**301.9**	(2.4)
Change in value of hedged item used to determine hedge effectiveness	**(300.3)**	3.8

B11 Derivatives and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

Maturity profile—notional value of cross-currency interest rate swaps are as follows:

2019 $M	Less than 12 months	1-5 years	Over 5 years	Total nominal amount
Cross-currency swaps (AUD:USD)	**-**	**-**	**2,143.0**	**2,143.0**
Average AUD-USD exchange rate	-	-	0.75	-
Average fixed interest rate[1]	-	-	5.0%	-
Cross-currency swaps (AUD:CHF)	**-**	**200.0**	**375.0**	**575.0**
Average AUD-CHF exchange rate	-	0.72	0.74	-
Average fixed interest rate[1]	-	4.6%	4.5%	-
2020 $M				
Cross-currency swaps (AUD:USD)	**-**	**-**	**2,143.0**	**2,143.0**
Average AUD-USD exchange rate	-	-	0.75	-
Average fixed interest rate[1]	-	-	5.0%	-
Cross-currency swaps (AUD:CHF)	**-**	**200.0**	**375.0**	**575.0**
Average AUD-CHF exchange rate	-	0.72	0.74	-
Average fixed interest rate[1]	-	4.6%	4.5%	-

1. Based on average fixed rate of cross currency swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

Effectiveness of hedging relationships designated are as follows:

2019	Hedge gain/(loss) recognised in other comprehensive income $M	Hedge ineffectiveness recognised in profit and loss $M	Line item in profit and loss that includes hedge ineffectiveness	Amount reclassified from other comprehensive income to profit and loss $M	Line item in profit and loss for reclassification
Foreign currency risk	2.4	-	Net finance costs	-	Net finance costs
2020					
Foreign currency risk	**(285.6)**	**(13.8)**	Net finance costs	-	Net finance costs

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

	2020 $M		2019 $M	
	USD	CHF	USD	CHF
Borrowings	**(2,143.0)**	**(575.0)**	(2,143.0)	(575.0)
Cross-currency interest rate swaps	**2,143.0**	**575.0**	2,143.0	575.0
Net exposure	**-**	**-**	-	-

B11 Derivatives and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

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

	2020 $M		2019 $M	
	Movement in post-tax profit	Increase / (decrease) in equity	Movement in post-tax profit	Increase / (decrease) in equity
AUD/USD				
+ 10 cents	**-**	**(88.4)**	-	(53.4)
- 10 cents	**-**	**118.6**	-	71.2
AUD/CHF				
+ 10 cents	**-**	**(6.7)**	-	(7.6)
- 10 cents	**-**	**9.2**	-	10.2

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

Interest rate risk

The Group's main exposure to interest rate risk arises from cash and cash equivalents, and long-term borrowings. The Group manages interest rate risk by entering into fixed rate debt facilities or by using interest rate swaps to convert floating rate debt to fixed interest rates. Generally, the Group raises long term borrowings at floating interest rates and swaps them into fixed interest rates that are lower than those available if the Group borrowed at fixed rates directly.

The Group's policy is to hedge interest rate exposure at a minimum in compliance with covenant requirements that apply under variable rate term debt funding facilities or variable rate debt capital market issuances and up to 100%. Covenant requirements under these facilities vary but at a minimum require 75% of any variable interest rate exposure to be hedged. As at 30 June 2020, 100% of the Group's interest rate exposures on term loans and debt capital market issuances was hedged (30 June 2019, 100%).

Capital Expenditure facilities are also utilised for shorter term funding requirements such as project capital expenditure. These are drawn down periodically from available variable rate facilities which as at 30 June 2020 was $232 million (2019: $nil). Upon completion of a capital expenditure project, these are refinanced with longer term funding which are then hedged in accordance with the minimum covenant requirements.

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

	2020 $M	2019 $M
Interest rate swaps		
Carrying amount	**(71.4)**	(50.3)
Notional amount	**440.0**	440.0
Maturity dates	**Dec 2024 to May 2034**	Dec 2024 to May 2034
Hedge ratio	**1:1**	1:1
Change in discounted value of outstanding hedging instruments since 1 July	**(21.2)**	(50.3)
Change in value of hedged item used to determine hedge effectiveness	**20.2**	52.8

B11 Derivatives and financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Maturity profile—notional value of interest rate swaps are as follows:

2019 $M	Less than 12 months	1 – 5 years	Over 5 years	Total nominal amount
Interest rate swaps	-	-	440.0	440.0
Average fixed interest rate[1]	-	-	2.9%	-
2020 $M				
Interest rate swaps	**-**	**200.0**	**240.0**	**440.0**
Average fixed interest rate[1]	**-**	**3.4%**	**2.6%**	**-**

1. Based on average fixed rate of interest rate swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

Effectiveness of hedging relationships designated are as follows:

2019	Hedge gain/(loss) recognised in other comprehensive income $M	Hedge ineffectiveness recognised in profit and loss $M	Line item in profit and loss that includes hedge ineffectiveness	Amount reclassified from other comprehensive income to profit and loss $M	Line item in profit and loss for reclassification
Interest rate risk	50.3	-	Net finance costs	-	Net finance costs
2020					
Interest rate risk	**71.5**	**-**	Net finance costs	-	Net finance costs

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

	2020 $M	2019 $M
Cash and cash equivalents	**116.7**	92.1
Floating rate borrowings	**(672.4)**	(440.0)
Interest rate swaps (notional principal amount)	**440.0**	440.0
Net exposure to interest rate risk	**(115.7)**	92.1

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

	Movement in post-tax profit	
	2020 $M	2019 $M
Interest rates +100bps	**(1.2)**	0.9
Interest rates –100bps	**1.2**	(0.9)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss. 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.

B11 Derivatives and financial risk management (continued)

Credit risk (continued)

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.

Since the onset of COVID-19, credit exposures and compliance with internal credit limits continue to be monitored daily. An International Swaps and Derivatives Association (ISDA) agreement must be in place between the Transurban dealing entity and the counterparty prior to executing any derivatives and netting provisions are included.

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 (1 to 5 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 has historically been maintained on a rolling 12 month basis. In light of the deterioration of revenue and cash flows observed as a consequence of COVID-19, forecasting is being performed more frequently to ensure the strategic liquidity reserve is being maintained to adequate levels. Medium term liquidity forecasting is maintained on a rolling five year horizon.

The Group is currently forecasting to have sufficient liquidity to withstand the current and potential ongoing deterioration in revenue and cash flow due to COVID-19 restrictions. Existing cash reserves are sufficient to cover periods of negative cash flows.

Financing arrangements

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

	2020 $M	2019 $M
Floating rate		
Expiring within one year	**-**	252.0
Expiring beyond one year	**289.5**	-
	289.5	252.0

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.

B11 Derivatives and financial risk management (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities (continued)

2020 $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	76.5	-	-	-	-	-	76.5	76.5
Borrowings	144.7	427.8	730.9	375.8	366.8	4,960.9	7,006.9	5,420.5
Interest rate swaps[1]	12.8	12.5	12.1	11.4	7.8	19.3	75.9	71.4
Cross-currency swaps[1]	40.0	40.0	40.0	29.8	29.7	55.9	235.4	(299.4)
Shareholder loans	65.3	65.3	65.3	65.4	65.3	2,306.4	2,633.0	771.7
Lease liabilities	2.2	1.0	0.6	1.8	3.5	20.2	29.3	22.0
Total	**341.5**	**546.6**	**848.9**	**484.2**	**473.1**	**7,362.7**	**10,057.0**	**6,062.7**

2019 $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	78.1	-	-	-	-	-	78.1	78.1
Borrowings	146.6	182.8	439.2	470.9	372.4	5,217.6	6,829.5	5,075.2
Interest rate swaps[1]	8.3	9.3	8.8	8.3	7.4	13.6	55.7	50.3
Cross-currency swaps[1]	43.8	43.2	43.2	43.2	32.9	100.9	307.2	2.4
Shareholder loans	65.4	65.3	65.3	65.3	65.4	2,677.2	3,003.9	778.2
Total	342.2	300.6	556.5	587.7	478.1	8,009.3	10,274.4	5,984.2

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

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 amount 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); and
- 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 and judgement
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.

Concession summary

B12 Goodwill

	2020 $M	2019 $M
Cost	**204.7**	204.7
Carrying amount	**204.7**	204.7

Goodwill relates to the Brisbane cash generating unit (CGU) and has arisen from the Group's acquisition of the Queensland Motorways Group.

Key estimate and judgement
The Group makes certain assumptions in calculating the recoverable amount of its goodwill (Note B12) and other intangible assets (Note B13). These include assumptions around expected traffic flows (including COVID-19 impacts) and forecast operational costs. In performing the recoverable amount calculations, the Group has applied the assumptions noted in the below table in Note B12. Management do not consider that any reasonable possible change in the assumptions will result in the carrying value of the Group CGU to which goodwill has been allocated exceeding its recoverable amount.

Impairment testing of goodwill

The Group assesses whether there is an indication of impairment at each reporting period and tests goodwill for impairment on an annual basis, regardless of whether an indicator of impairment exists. The economic impact of COVID-19 and its direct impact on traffic performance, is considered an impairment trigger in the year ended 30 June 2020 for the Group's goodwill.

Impairment testing is undertaken by calculating the recoverable amount, which is the greater of fair value less costs of disposal 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 (CGU).

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 the profit and loss. The decrement in the carrying amount is recognised as an expense in the profit and loss in the reporting period in which the impairment occurs.

The recoverable amount of the Group's CGU has been determined based on value-in-use calculations.

The following table sets out the key assumptions on which management have based their cash flow projections. The calculations use three year cash flow projections based on financial plans reviewed by the Board which include management's estimate of the reduction in traffic volumes arising from COVID-19. Cash flows beyond this period are modelled using a consistent set of long-term assumptions up to the end of the applicable concession period:

	2020	2019
Long term CPI (% annual growth)	**2.5%**	2.7%
Long term average weekly earnings (% annual growth)	**3.5%**	3.5%
Pre-tax discount rate (%)	**8.2%**	8.2%

B12 Goodwill (continued)

Impairment testing of goodwill (continued)

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

Assumption	Approach used to determine values
Traffic volume	Based on the Group's short term and long term traffic forecasting models, which incorporate management's estimate of the impact on traffic from COVID-19. In developing these forecasts, management utilised external observable data to benchmark current traffic performance against estimated improvement in traffic profiles. The improvement in traffic is expected to be associated with government responses (including restrictions on movement) to COVID-19.
Long term CPI (% annual growth)	Based on independent external forecasts.
Long term average weekly earnings (% 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 pre-tax discount rates to discount the forecast future attributable pre-tax cash flows. The pre-tax discount rates are disclosed in the table above. Discount rates factor in the risk associated with possible variations in the forecast impact to traffic volumes plus the increased volatility in markets that has been observed following the onset of COVID-19.

The impairment testing indicates the recoverable amount of the CGU to which goodwill has been allocated exceeds its carrying amount (after allocating goodwill). Therefore, there is no goodwill that is impaired as at 30 June 2020.

Sensitivity analysis has been performed within the CGU valuation model to determine whether it is feasible that the recoverable amount of the CGU could fall below its net carrying amount (after allocating goodwill) under reasonably possible scenarios of shifts in key assumptions. The results from the sensitivity analysis show that the recoverable amount of the CGU did not fall below its carrying amount (after allocating goodwill) under any of the sensitivity scenarios. This is mainly due to the length of the remaining term of the Group's service concession arrangements, with the majority of the recoverable amount generated beyond the near term period impacted by COVID-19.

B13 Other intangible assets

2020 $M	Concession assets	Assets under construction	Total
Cost	**9,036.5**	**-**	**9,036.5**
Accumulated amortisation	**(1,246.7)**	**-**	**(1,246.7)**
Net carrying amount	**7,789.8**	**-**	**7,789.8**

2019 $M	Concession assets	Assets under construction	Total
Cost	8,574.1	444.9	9,019.0
Accumulated amortisation	(1,008.8)	-	(1,008.8)
Net carrying amount	7,565.3	444.9	8,010.2

Movement in intangible assets

	Concession assets $M	Assets under construction $M	Total $M
Opening balance 1 July 2018	**7,735.3**	**296.7**	**8,032.0**
Additions	-	212.7	212.7
Changes in deferred payments	(10.9)	-	(10.9)
Transfers	64.5	(64.5)	-
Amortisation charge	(223.6)	-	(223.6)
Net carrying amount 30 June 2019	**7,565.3**	**444.9**	**8,010.2**
Additions	**-**	**89.0**	**89.0**
Changes in deferred payments	**(71.4)**	**-**	**(71.4)**
Transfers	**533.9**	**(533.9)**	**-**
Amortisation charge	**(238.0)**	**-**	**(238.0)**
Net carrying amount 30 June 2020	**7,789.8**	**-**	**7,789.8**

Concession assets

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

Intangible asset model

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

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

	2020 Years	2019 Years
Gateway and Logan	**31**	32
Clem7 Tunnel	**31**	32
AirportlinkM7	**33**	34
The Go Between Bridge	**43**	44
Legacy Way Tunnel	**45**	46

B13 Other intangible assets (continued)

Indicators of impairment

At each reporting period the Group assesses whether there is an indicator of impairment. Where an indicator of impairment is identified, impairment testing is performed using the same approach as the Group's annual goodwill impairment testing.

Consistent with goodwill, the economic impact of COVID-19 and the direct impact on traffic performance, is considered an impairment trigger in the year ended 30 June 2020. Recoverable amounts were based on the higher of value-in-use and fair value less costs of disposal, estimated using discounted cash flows.

The key assumptions on which management have based their cash flow projections are consistent with those set out in B12 Goodwill.

The impairment testing indicates the recoverable amount exceeds the relevant carrying amount for all of the Group's concession intangible assets. This is mainly due to the length of the remaining term of the Group's service concession arrangements, with the majority of the recoverable amount generated beyond the near term period impacted by COVID-19.

As part of the impairment testing, sensitivity analysis has been performed which considers reasonably possible changes in the above key assumptions for each of the Group's concession intangible assets. The Group's concession intangible assets was not sensitive to reasonable possible changes in key assumptions.

Assets under construction

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

B14 Maintenance provision

Movement in maintenance provision

	Current $M	Non-current $M
Carrying value at 1 July 2018	99.9	528.6
Additional provision recognised	-	41.4
Amounts paid/utilised	(74.4)	-
Unwinding of discount	-	24.8
Transfer	59.5	(59.5)
Carrying value at 30 June 2019	**85.0**	**535.3**
Additional provision recognised	**-**	**35.8**
Amounts paid/utilised	**(80.3)**	**-**
Unwinding of discount	**-**	**24.9**
Transfer	**32.1**	**(32.1)**
Carrying value at 30 June 2020	**36.8**	**563.9**

Key estimate and judgement

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

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

Group structure

B15 Principles of consolidation

Subsidiaries

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

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

B16 Material subsidiaries

The Group's material subsidiaries are outlined below.

Name of entity[1]	Principal Activities	Country of incorporation	% Equity Interest[1] 2020	2019
Transurban Queensland Finance Pty Limited	Financing entity	Australia	100	100
Project T Partnership	Road/operating entity	Australia	100	100
Gateway Motorway Pty Limited	Road/operating entity	Australia	100	100
Logan Motorways Pty Limited	Road/operating entity	Australia	100	100
Queensland Motorways Management Pty Limited	Road/operating entity	Australia	100	100
GBB Operations Pty Limited	Road/operating entity	Australia	100	100
LW Operations Pty Limited	Road/operating entity	Australia	100	100
Queensland Motorways Services Pty Limited	Service entity	Australia	100	100
Transurban Queensland Property Trust	Concession leasing	Australia	100	100
Transurban Queensland Property Pty Limited	Trustee	Australia	100	100
APL Co Pty Limited	Road/operating entity	Australia	100	100
TQ APL Finance Co Pty Limited	Financing entity	Australia	100	100
TQ APL Asset Co Pty Limited	Trustee	Australia	100	100
TQ APL Asset Trust	Concession leasing	Australia	100	100

1. There are no entities with non-controlling interests listed as these entities are Trusts and are detailed within Note B17.

Ultimate Parent

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

B17 Non-controlling interests

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

	TQIT[1]	
	2020 $M	2019 $M
Summarised balance sheet		
Current assets	**187.8**	80.6
Non-current assets	**7,447.9**	7,356.5
Current liabilities	**(41.0)**	(55.5)
Non-current liabilities	**(5,493.6)**	(5,186.2)
Net assets	**2,101.1**	2,195.4
Carrying amount of non-controlling interests	**2,101.1**	2,195.4
Summarised statement of comprehensive income		
Revenue	**361.4**	337.1
Loss for the year	**(12.1)**	(27.2)
Other comprehensive income/(loss)	**113.9**	(62.2)
Total comprehensive income/(loss)	**101.8**	(89.4)
Loss allocated to non-controlling interests	**(12.1)**	(27.2)
Other comprehensive income allocated to non-controlling interests	**113.9**	(62.2)
Summarised cash flows		
Cash flows from operating activities	**171.7**	169.0
Cash flows from investing activities	**(101.7)**	(216.5)
Cash flows from financing activities	**(55.0)**	56.9
Net increases in cash and cash equivalents	**15.0**	9.4

1. The entities included in TQIT are TQ APL Asset Trust, TQ APL Finance Co Pty Limited, TQ APL Hold Trust, Transurban Queensland Finance Pty Limited, Transurban Queensland Invest Trust and Transurban Queensland Property Trust.
   The entities not included are Transurban Queensland Invest Pty Limited, Transurban Queensland Property Pty Limited, TQ APL Hold Co Pty Limited, TQ APL Asset Co Pty Limited, Transurban Queensland Holdings 2 Pty Limited, QM Assets Pty Limited, Project T Partner Hold Co 2 Pty Limited and Project T Partner Co 2 Pty Limited.

B18 Deed of cross guarantee

Deed of cross guarantee

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

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

B18 Deed of cross guarantee (continued)

	2020 $M	2019 $M
Summarised statement of comprehensive income		
Revenue	**82.0**	85.9
Operating costs	**(0.3)**	(0.4)
Net finance costs	**(55.4)**	(34.6)
Profit before income tax	**26.3**	50.9
Income tax benefit	**15.4**	6.5
Profit for the year	**41.7**	57.4
Total comprehensive income for the year	**41.7**	57.4
Summarised movements in retained earnings		
Retained earnings at the beginning of the year as originally presented	**167.3**	111.8
Change in accounting policy[1] (2019: AASB 9)	**-**	(1.9)
Retained earnings at 1 July	**167.3**	109.9
Profit for the year	**41.7**	57.4
Retained earnings at the end of the year	**209.0**	167.3
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**1.6**	3.7
Trade and other receivables	**129.6**	124.5
Total current assets	**131.2**	128.2
Non-current assets		
Other financial assets	**1,751.2**	1,751.2
Other receivables	**1,193.0**	1,167.3
Deferred tax assets	**146.3**	123.9
Total non-current assets	**3,090.5**	3,042.4
Total assets	**3,221.7**	3,170.6
Current liabilities		
Trade and other payables	**175.4**	187.5
Total current liabilities	**175.4**	187.5
Non-current liabilities		
Payables	**2,233.2**	2,235.0
Other liabilities	**35.2**	11.1
Total non-current liabilities	**2,268.4**	2,246.1
Total liabilities	**2,443.8**	2,434.4
Net assets	**777.9**	736.2
Equity		
Contributed equity	**568.9**	568.9
Retained earnings	**209.0**	167.3
Total equity	**777.9**	736.2

[1]Refer to Note B3 for further details on the change in accounting policy relating to AASB 16 *Leases* from 1 July 2019.

Expected credit loss

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

B18 Deed of cross guarantee (continued)

As at 30 June 2020, the historical payment profiles of toll revenue and expected loss rates have been adjusted to incorporate forward-looking information about the potential impacts of COVID-19, including the impact of initiatives implemented by the Group to extend credit to support customers facing financial hardship. Such forward-looking information reflects management's best estimate based on the most recent information available at balance date, noting the uncertainty in relation to the magnitude and duration of COVID-19 on the collectability of trade receivables. These balances continue to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. As at 30 June 2020 the loss allowance has been updated for management’s estimate of the collectability of these balances and is $9.4 million (2019: $9.3 million).

Items not recognised

B19 Contingencies

Contingent assets are possible recoveries whose existence will be confirmed only by uncertain future events not wholly in within control of the Group. Contingent assets are not recognised on the balance sheet unless they are virtually certain but are disclosed if the inflow of economic resources is probable.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events and present obligations where the transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet unless they are probable but are disclosed if the outflow of economic resource is possible.

Key estimate and judgement

The Group has existing claims that it has brought against other parties. Contingent assets and liabilities may exist in respect of actual or potential claims and commercial payments and recoveries arising from the Group's obligations under its service concession arrangements. Any inflow or outflow of economic resources associated with these matters cannot be reliably estimated as at 30 June 2020. The Group assesses each claim that it is party to for the purposes of preparing financial statements in accordance with accounting standards. Disclosures are made for these matters in accordance with accounting standards, or other legal disclosure obligations.

Contingent liabilities

As a result of the acquisition of the Legacy Way Tunnel, 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 and the date at which the contingent consideration is assessed and becomes payable:

	Carrying value $M	Maximum consideration payable $M	Assessment date	Payment date
Legacy Way Tunnel	57.9	Unlimited[1]	Jun 2020[2]	Sep 2020

1. The maximum consideration payable will reflect a portion of the cumulative outperformance of the concession asset as compared against an internal rate of return agreed between Transurban Queensland and the Brisbane City Council.
2. Contingent consideration payable for the Legacy Way Tunnel has not been paid at reporting date. The carrying value of the contingent consideration liability has decreased by $62.8 million during the year ended 30 June 2020. This reduction is due to the impact of lower traffic volumes (COVID-19 related) on the measurement of the liability at reporting date.

Key estimate and judgement

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.

Parent entity

The parent entity does not have any contingent liabilities at reporting date (2019: $nil).

B20 Commitments

	Operating lease commitments		Capital commitments	
	2020[1] $M	2019 $M	2020 $M	2019 $M
Within one year	**-**	1.6	**14.1**	33.1
Later than one year but not later than five years	**-**	2.1	**9.0**	16.6
Later than five years	**-**	15.4	**-**	-
	-	19.1	**23.1**	49.7

1. Refer to Note B22 for details of the Group's transition to AASB 16 *Leases*. Commitments disclosed as non-cancellable operating leases under AASB 117 *Leases* have been recorded as lease liabilities from 1 July 2019, with the exception of short-term leases and leases of low-value assets.

B21 Subsequent events

Other than as disclosed elsewhere in this report, 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 Group's operations, the results of those operations, or Group's state of affairs, in the future years.

Other

B22 Leases

Refer to Note B3 for details of the Group's transition to AASB 16 *Leases*.

Leases as a lessee

Information about leases for which the Group is a lessee is presented below.

Right-of-use Asset

The Group's right-of use assets relate to leased office buildings and are included in property, plant and equipment on the Group's consolidated balance sheet. Right-of-use assets have finite lives, are depreciated on a straight-line basis and are carried at cost less accumulated depreciation.

The net book amount of right-of-use assets is presented below:

	Office Buildings $M
Net carrying amount 1 July 2019	**3.3**
Depreciation charge for the year	(2.9)
Additions to right-of-use assets	19.7
Net carrying amount 30 June 2020	**20.1**

Lease Liability

Lease liabilities are included in other liabilities on the Group's consolidated balance sheet.

	2020 $M
Current	(2.2)
Non-current	(19.8)
Total lease liability	**(22.0)**

Refer to Note B11 for contractual maturities for lease liabilities.

Reconciliation of lease liabilities arising from financing activities

	Lease Liabilities $M
Balance at 30 June 2019 as originally presented	-
Change in accounting policy	3.4
Balance at 1 July 2019	**3.4**
Principal repayment of leases	(2.0)
Total cash flows	**(2.0)**
Non-cash changes	
Additions to right-of-use asset	19.7
Unwinding of discount	0.9
Total non-cash changes	**20.6**
Balance at 30 June 2020	**22.0**

The total cash outflow for leases in the year ended 30 June 2020 was $2.0 million. The Group presents lease payments as 'principal repayments of leases' in 'cash flows from financing activities' and the finance cost as 'interest paid' in 'cash flows from operating activities' within the consolidated statement of cash flows.

B22 Leases (continued)

The Group's leasing activities and how these are accounted for

The Group leases two offices. Rental contracts are typically made for fixed periods of 3 to 12 years but may have extension options. The extension options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management consider all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Lease terms are negotiated on an individual basis. Leased assets may not be used as security for borrowing purposes.

Until FY19, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit and loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The COVID-19 impact on asset values from the decline in economic conditions, combined with the lower utilisation of these assets, are considered impairment triggers for the year ended 30 June 2020. Given this, impairment testing has been performed for the Group's right-of use assets. As these assets do not generate independent cash flows, for the purposes of impairment testing, these assets have been allocated to the Cash Generating Unit (CGU) they belong to, which is based on the geographical network that the assets support. Management have used the same approach and assumptions as the Group's annual goodwill impairment testing, as detailed in Note B12. This testing indicates that the recoverable amount of each right-of-use asset, in its respective CGU exceeds their relevant carrying amount and no impairment was identified as at 30 June 2020.

B23 Related party transactions

	2020 $'000	2019 $'000
Transactions with related parties		
Shareholder loan interest expense	**(65,428.8)**	(65,250.0)
Transurban Limited service fee	**(10,843.9)**	(10,900.0)
Additional service fees expense	**(22,058.4)**	(21,600.0)
Outstanding balances with related parties		
Shareholder loan notes	**(771,697.5)**	(778,197.5)
Related party payables	**(1,903.8)**	(1,016.8)

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

Shareholder loan notes

The shareholder loan notes comprise two separate issuances as follows:

- $750.0m of loan notes issued on July 2014, which are redeemable on 31 December 2048. Interest is payable on a quarterly basis at 8.70% per annum.
- $102.2m of interest-free loan notes issued in April 2016, which are redeemable on 31 July 2053. $80.5m of loan notes have been redeemed by shareholders as at 30 June 2020.

The shareholder loan notes are unsecured.

B24 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 (until 18 February 2020)
V Hannan
M Huey
S Johnson
J Ross (appointed 18 February 2020)

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*
C Poynter	General Manager
D McLoughlin	General Manager Operations
T Lloyd	General Manager Finance (from November 2019)

The KMP include 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.

B24 Key management personnel compensation (continued)

Key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	**5,189,985**	6,130,148
Post-employment benefits	**140,018**	114,355
Long-term benefits	**118,426**	140,117
Share-based payments	**465,768**	2,786,123
Deferred short term incentives	**1,323,120**	1,873,315
	7,237,317	11,044,058

B25 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

	2020 $	2019 $
Audit and review of financial reports	**511,000**	496,000
Other assurance services	**-**	25,000
	511,000	521,000
Total remuneration for PricewaterhouseCoopers	**511,000**	521,000
Total auditor's remuneration	**511,000**	521,000

B26 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

Investments in subsidiaries are accounted for at cost in the parent entity financial statements of TQH1.

Tax consolidation legislation

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

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

Guarantees entered into by the parent entity

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

B26 Parent entity disclosures (continued)

Summary financial information

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

	2020 $M	2019 $M
Balance sheet		
Current assets	**159.5**	162.2
Total assets	**1,650.1**	1,622.3
Current liabilities	**(172.1)**	(164.6)
Total liabilities	**(1,010.7)**	(1,004.8)
Net assets	**639.4**	617.5
Shareholders' equity		
Contributed equity	**568.9**	568.9
Retained earnings	**70.5**	48.6
Total equity	**639.4**	617.5
Profit for the year	**21.9**	55.7
Total comprehensive income	**21.9**	55.7

Expected credit loss

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

As at 30 June 2020, the historical payment profiles of toll revenue and expected loss rates have been adjusted to incorporate forward-looking information about the potential impacts of COVID-19, including the impact of initiatives implemented by the Group to extend credit to support customers facing financial hardship. Such forward-looking information reflects management's best estimate based on the most recent information available at balance date, noting the uncertainty in relation to the magnitude and duration of COVID-19 on the collectability of trade receivables. These balances continue to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. As at 30 June 2020 the loss allowance has been updated for management’s estimate of the collectability of these balances and is $2.0 million (2019: $2.0 million).

Section C: Signed reports

Directors' declaration

In the opinion of the Directors:

(a) the financial statements and notes as set out on pages 12 to 61 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 2020 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note B18 will be able to meet any obligations or liabilities to which they are, or may become liable, subject by virtue of the deed of cross guarantee described in Note B18.

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

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

J Massey
Director

S Johnson
Director

Brisbane
31 August 2020

Independent auditor's report

To the security holders 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 Transurban Queensland 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 2020 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 Group financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- 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 (including Independence Standards)* (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 2020, 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 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 that we 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 of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Melbourne
31 August 2020