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 2021

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 2021 (FY21). 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:

D O'Toole (appointed 1 July 2021)

E Rubin

N Ficca

S Johnson

H Wehby (appointed 10 December 2020)

D Clements (appointed 31 August 2021)

J Massey (resigned 30 June 2021)

V Hannan (resigned 2 June 2021)

J Ross (resigned 2 June 2021)

M Huey (resigned 10 December 2020)

During the financial year 2021 the Transurban Queensland Board announced the retirement of John Massey. John was appointed as the inaugural independent Chair of Transurban Queensland in 2014. We wish to express our profound gratitude for his contribution during his tenure.

Financial results

Statutory results

Toll revenue from ordinary activities increased 7.7% per cent to $679.5 million.

Loss from ordinary activities after tax decreased 2.1% per cent to $90.4 million.

Earnings before net finance costs, income taxes and depreciation and amortisation ('EBITDA') increased 9.6% per cent to $501.9 million.

Distributions

Quarter Ended		2021 $M	2020 $M
30 September	Distribution	**57.6**	**19.0**
31 December	Distribution	**46.2**	**62.4**
31 March	Distribution	**78.6**	**82.2**[2]
30 June[1]	Distribution	**9.1**	**21.5**
Total distributions for the financial year		**191.5**	**185.1**

1. In addition to the above distributions, $21.7 million of shareholder loan note principal was repaid to shareholders in FY21 (FY20: $6.5 million).

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

Health, Safety and Environment (HSE)

Due to the continued impact of COVID-19 and associated increase in remote working, employee wellbeing remained a key employee area of focus, building on the positive activities implemented with respect to ergonomics, and physical and mental wellbeing. We proactively supported our people to reduce sedentary time and ensure their home workspace was set up safely. This including issuing ergonomic equipment, conducting ergonomic assessments and running programs aimed at promoting increased physical activity during the workday.

We expect that our people keep themselves and their colleagues healthy and safe, while also minimising our impacts on the environment. Our employees have HSE Action Plans which record their teams' activities to enhance our HSE culture and ensure accountability for a healthy and safe work environment.

Our HSE culture and activities have been enhanced through a number of initiatives focused on ensuring our processes are fit for purpose and that our employees understand the HSE obligations associated with the roles they perform. Continued analysis of HSE data using analytics software has provided insights to enhance HSE performance.

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:

- → Stakeholder engagement
- → Optimal networks
- → Delivery and operations
- → 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.

Operating and financial review (continued)

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.

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 2021 highlights

Statutory results

	FY21 $M	FY20 $M
Toll revenue	**679.5**	630.8
EBITDA	**501.9**	458.0
Net loss	**(90.4)**	(92.3)

Concession asset performance

Asset	Toll revenue contribution[1]	Traffic growth (ADT[2])	Toll revenue growth
Gateway	34.0%	0.5%	3.8%
Logan	33.5%	13.3%	14.8%
AirportlinkM7	16.0%	(3.9%)	(1.7%)
Clem7	7.9%	6.4%	9.2%
Legacy Way	6.9%	8.0%	19.8%
Go Between Bridge	1.7%	3.7%	5.5%

[1] Calculated based on toll revenue for the period ended 30 June 2021.

[2] Average Daily Traffic.

Operating and financial review (continued)

COVID-19 Response

As COVID-19 restrictions eased across Queensland, traffic volumes recovered to pre-COVID-19 levels during the financial year ended 30 June 2021. We observed traditional peak hours returning on the roads, in part driven by a return to 'normal' hours at the workplace and exacerbated by the fact that more people were opting for travel in private vehicles. Traffic corridors sensitive to airport related travel remained impacted by international travel restrictions and low confidence in domestic travel. Overall traffic performance will remain sensitive to future government responses and economic conditions. Refer to Note B2 Summary of significant changes in the current reporting period and Note B22 Subsequent Events for COVID-19 considerations subsequent to 30 June 2021.

Maintaining our people's wellbeing and productivity

While we had well-established flexible work practices in place before the pandemic, extended periods of remote working has highlighted the need to keep our employees closely connected. We continue to focus on providing opportunities for employee collaboration, whether they are at home or in the workplace utilising regular video updates and virtual business updates.

In the past 12 months we partnered with The Resilience Project to provide mental health support and resources for all employees. We also ran three pulse surveys, in which results were consistently strong with 83% of our people feeling positive about the way we had responded to COVID-19.

We continue to have a range of flexible work options available to all employees when they need them, including flexible working hours or jobs share arrangements.

Customer support expanded

The wellbeing of our customers was placed front and centre over the past 12 months, as we expanded our social and financial hardship programs. We are mindful that the pandemic and its associated economic impacts has made it difficult for some customers to meet their financial obligations. Transurban Queensland responded to these challenges through a range of considered initiatives that were designed to provide a tangible benefit to affected people's day-today lives. Since April 2020, over $3.4 million in toll credits were provided to 13,500 Queenslanders.

We also extended our Linkt Assist support services to small business customers in a permanent move that acknowledged the vital role they play in our community. Small business customers experiencing financial hardship can now also access toll credits, along with extended payment terms, fee waivers and deferred account suspension. In a further expansion of the Linkt Assist program, we created Linkt Assist 360. The new service recognises that the most vulnerable Linkt Assist customers are often dealing with issues that extend beyond tolling debt. Linkt Assist 360 offers streamlined and personalised access to services such as financial counselling, as well as family violence, mental health and homelessness support. It aims to restore customers' emotional and financial well-being.

Assisting suppliers

Recognising the financial impact to many small businesses, we continued our temporary program to expedite payments and to reduce our standard payment terms from 30 to 14 days. Approximately 100 small suppliers serving Transurban Queensland were supported with faster payments during the year.

Operating and financial review (continued)

Community initiatives

In response to the unique challenges faced by the local community over the past year due to the COVID-19 pandemic, Transurban Queensland expanded its social investment portfolio, providing direct support to people when they needed it most. This included raising $250,000 for Ronald McDonald House Charities SEQ through an online appeal, funding emergency accommodation for families of seriously ill children. Providing 4,000 free car seat fittings and safety checks to families in Brisbane and Logan through our road partnership with Kidsafe Queensland and awarding 20 scholarships to Year 11 and 12 students in Brisbane and Logan, through our partnership with the Queensland Aboriginal and Torres Strait Islander Foundation (QATSIF). We also continued our support for local community organisations and initiatives bringing social and environmental benefits to communities located near Transurban's roads through our annual Community Grants Program. This year's successful recipients include domestic violence support programs, driver training, sustainability initiatives and road safety education.

Operations

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

- → S&P Global Ratings revised its outlook on Transurban Queensland to stable from negative and re-affirmed Transurban Queensland's standalone credit rating of BBB-.
- → Progressed construction on our new Network Operations Centre at Kedron, which will consolidate all of Transurban Queensland's traffic control rooms in Brisbane into a single state-of-the-art facility.
- → Advanced our digital engineering capabilities with a sensor trial underway on the Gateway Bridge to monitor the structural health of the bridge.
- → In July 2021, executed a new Power Purchase Agreement for Transurban Queensland with Coopers Gap Wind Farm commencing on 1 January 2022.
- → Celebrated 2 millionth Linkt Queensland customer account opening with internal and external communications, including toll credits for 100 customers.
- → The AusRAP assessment by ARRB on Transurban Queensland assets indicates that 93% of travel on the Transurban Queensland network is four star or better and MUARC (Monash University Accident Research Centre) identified that Transurban Queensland roads are 31.3% safer than similar roads.

On-road experience

We started our relocation to a new Network Operations Centre in Kedron in July 2021 and once fully operational, we will have eyes on our entire 81 kilometre network of roads, tunnels and bridges across Brisbane from a single high-tech operations facility.

Managing traffic flow, incidents and emergency response, operators will work 24/7, and will respond to over 1,000 incidents every month—including debris, broken-down vehicles and crashes.

The centre will feature the latest artificial intelligence technology to automatically identify incidents and congestion and alert operators. The smart system technology prioritises events, automates routine traffic management and incident response solutions while learning from experience to improve how our motorways are managed. We're also trialling radar technology to improve incident detection on our assets. The radar detectors will identify incidents, lost loads, traffic speed and congestion by alerting our traffic control room operators in real time.

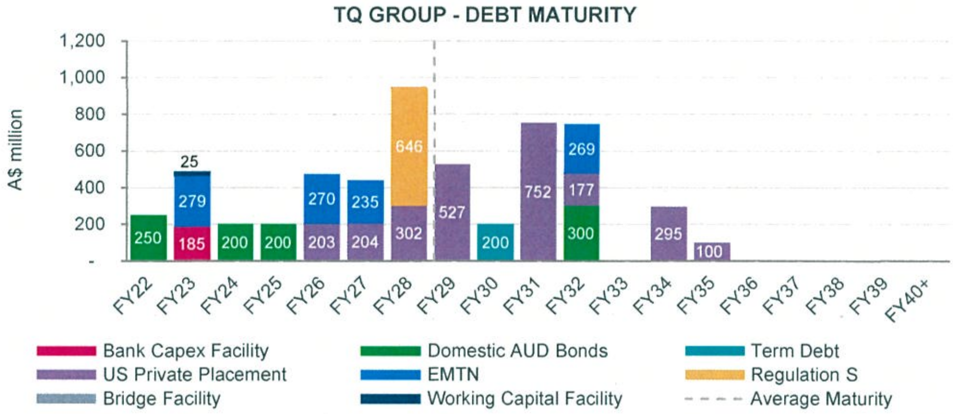
Operating and financial review (continued)

Financing activities

In May 2021 TQ settled a A$300 million AMTN and a CHF190 million EMTN (A$269 million). The proceeds were used to refinance drawn amounts on an existing capex facility and to pre-fund the planned redemption of the Group's December 2021 A$250m AMTN in September 2021.

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 2021. 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 B12 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 B12 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 aligns with the following 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.

THE SUSTAINABLE DEVELOPMENT GOALS MOST RELEVANT TO OUR BUSINESS

This strategy is supported by a set of objectives and work program which 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 'Innovate' Reconciliation Action Plan with 73% of actions complete.
- Gender equality enhanced in the TQ workforce with female representation increasing from 37.5% in FY20 to 40.2% in FY21. Our gender pay gap is reviewed annually and continues to be <1%.

Planet

- Made a commitment to achieve Net Zero Greenhouse gas emissions by 2050 as part of the TQ-endorsed Sustainability Policy.
- Installed 64kW of solar power at our Network Operations Centre.
- Completed Queensland tolling upgrades, reducing annual energy consumption by 625 GJ and reducing GHG emissions by 141 tCO_2e per annum.
- Power Purchase Agreement executed to provide renewable energy for our Brisbane roads from early 2022.
- Trialed an eco-driving program for Queensland Linkt customers which delivered a 6% improvement in fuel efficiency and associated emissions.
- Achieved an uplift in our Carbon Disclosure Project (CDP) rating for our response to climate change – from 'C' (awareness) in FY20 to A- (Leadership) in FY21. We were also recognised by CDP as being a 'Supplier Engagement Leader' for the work we are undertaking with our supply chain on climate change and decarbonisation.

Places

- Advanced our Climate Change Program through developing high-level climate risk report cards for all TQ road assets and preparing a model Climate Risk Adaptation Management Plan to serve as a template for individual plans for each asset.

Partnerships

- Expanded our partnership with Kidsafe Queensland to help them deliver research-based education to the community on the correct use of car restraints for young people and ensuring access to free car seat fittings for those experiencing disadvantage.
- Established a partnership with the International Road Assessment Program to determine the safety ratings of roads in the TQ network.
- Partnerships in place with the Queensland Aboriginal and Torres Strait Islander Foundation and Career Trackers.

Operating and financial review (continued)

Business risks, threats and opportunities

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

- → Ability to leverage capabilities;
- → Integration of consistent technology and systems;
- → 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 threats 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;
- → Maintaining our social licence to operate
- → Access to suitable financing arrangements;
- → Inability to attract and retain the workforce capability required by the organisation for critical roles;
- → Ensuring the safety and wellbeing of employees and contractors;
- → Dependency on third parties and critical suppliers; and
- → Cyber security and information protection.

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 implemented a practical and holistic Enterprise-wide Risk Management (ERM) Framework which applies to all its business activities, operations and projects. The ERM Framework is aligned to industry best practice and is consistent with the ISO 31000:2018 risk management standard. The ERM Framework provides guidance on the identification, assessment, management and escalation of risks to ensure that key risks, including those with the potential to have a material impact on the business, are escalated appropriately for decision-making and proactive management. The framework is also integrated with our HSE, emergency management, business continuity, crisis management and assurance processes to enhance our business resilience and identify opportunities to innovate.

During the reporting period, a review of the ERM Framework was undertaken with further enhancements made, reflecting the increasing maturity of Transurban Queensland's risk management profile and business growth. These enhancements included further refinements to the Risk Appetite Statement and risk management guidelines. The dedicated ERM software system has also been enhanced through further integration with data analytics to provide increased access and sharing of risk knowledge and insights across a broad range of risk topics. The Audit and Risk Review Committee has satisfied itself that the ERM Framework continues to be sound both in process and its application within the business, and that Transurban Queensland is operating with due regard to the risk appetite set by the Board.

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:

	2021 $	2020 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and other assurance services:		
Audit and review of financial reports	**562,000**	511,000
Other assurance services	**143,400**	-
Total remuneration for PricewaterhouseCoopers	**705,400**	511,000
Total auditor's remuneration	**705,400**	511,000

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.

D O'Toole
Director

S Johnson
Director

Brisbane
31 August 2021

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 2021, 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 2021

Transurban Queensland Holdings 1 Pty Limited

ABN 64 169 090 804

Contents

Section A: Group financial statements

	Note	2021 $M	2020 $M
Revenue	B5	**689.1**	730.3
Expenses			
Employee benefits expense		**(28.2)**	(27.4)
Management fees		**(29.2)**	(27.4)
Administrative expenses		**(6.8)**	(10.2)
Construction costs		**(4.6)**	(91.1)
Road operating costs		**(118.4)**	(116.2)
Total expenses		**(187.2)**	(272.3)
Earnings before depreciation, amortisation, net finance costs and income taxes		**501.9**	458.0
Depreciation		**(8.8)**	(6.2)
Amortisation	B14	**(237.5)**	(238.0)
Total depreciation and amortisation		**(246.3)**	(244.2)
Net finance costs	B10	**(362.8)**	(319.0)
Loss before income tax		**(107.2)**	(105.2)
Income tax benefit	B6	**16.8**	12.9
Loss for the year		**(90.4)**	(92.3)
Loss attributable to:			
Ordinary securities holders of the stapled group			
- Attributable to TQH1		**(8.4)**	(70.1)
- Attributable to TQH2/TQI/TQIT		**(82.0)**	(22.2)
		(90.4)	(92.3)
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		**(15.9)**	113.9
Changes in the fair value of cost of hedging, net of tax		**(0.6)**	-
Other comprehensive (loss)/income for the year, net of tax		**(16.5)**	113.9
Total comprehensive (loss)/income for the year		**(106.9)**	21.6
Total comprehensive income for the year is attributable to:			
Ordinary security holders of the stapled group			
- Attributable to TQH1		**(8.4)**	(70.1)
- Attributable to TQH2/TQI/TQIT		**(98.5)**	91.7
Total comprehensive (loss)/income for the year		**(106.9)**	21.6

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

Transurban Queensland Holdings 1 Pty Limited
Consolidated balance sheet
as at 30 June 2021

	Note	2021 $M	2020 $M
ASSETS			
Current assets			
Cash and cash equivalents	B7	**371.4**	116.7
Trade and other receivables	B7	**41.8**	27.9
Current tax asset		**0.3**	0.3
Total current assets		**413.5**	144.9
Non-current assets			
Derivative financial instruments	B12	**16.0**	299.4
Property, plant and equipment		**93.8**	83.8
Deferred tax assets	B6	**826.6**	807.9
Goodwill	B13	**204.7**	204.7
Other intangible assets	B14	**7,556.7**	7,789.8
Total non-current assets		**8,697.8**	9,185.6
Total assets		**9,111.3**	9,330.5
LIABILITIES			
Current liabilities			
Trade and other payables	B7	**85.6**	76.5
Borrowings	B11	**250.0**	-
Maintenance provision	B15	**77.1**	36.8
Other provisions		**5.2**	62.3
Other liabilities	B8	**58.9**	54.7
Total current liabilities		**476.8**	230.3
Non-current liabilities			
Borrowings	B11	**5,191.6**	5,420.5
Derivative financial instruments	B12	**175.5**	71.4
Maintenance provision	B15	**542.7**	563.9
Other provisions		**0.3**	0.6
Other liabilities	B8	**21.9**	21.2
Shareholder loans	B24	**750.0**	771.7
Total non-current liabilities		**6,682.0**	6,849.3
Total liabilities		**7,158.8**	7,079.6
Net assets		**1,952.5**	2,250.9
EQUITY			
Contributed equity		**568.9**	568.9
Reserves		**-**	-
Accumulated losses		**(429.9)**	(421.5)
Equity attributable to other members of the stapled group (TQH2/TQI/TQIT)		**1,813.5**	2,103.5
Total equity		**1,952.5**	2,250.9

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 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[1]	-	-	-	-	(185.1)	(185.1)
Total distributions paid	-	-	-	-	(185.1)	(185.1)
Balance at 30 June 2020	4,546.0	568.9	-	(421.5)	2,103.5	2,250.9
Balance at 1 July 2020	**4,546.0**	**568.9**	**-**	**(421.5)**	**2,103.5**	**2,250.9**
Comprehensive income						
Loss for the year	**-**	**-**	**-**	**(8.4)**	**(82.0)**	**(90.4)**
Other comprehensive income	**-**	**-**	**-**	**-**	**(16.5)**	**(16.5)**
Total comprehensive income/(loss)	**-**	**-**	**-**	**(8.4)**	**(98.5)**	**(106.9)**
Transactions with owners in their capacity as owners:						
Dividends/distributions provided for or paid[1]	**-**	**-**	**-**	**-**	**(191.5)**	**(191.5)**
Total distributions paid	**-**	**-**	**-**	**-**	**(191.5)**	**(191.5)**
Balance at 30 June 2021	**4,546.0**	**568.9**	**-**	**(429.9)**	**1,813.5**	**1,952.5**

1. Refer to Note B9 for further details of dividends and distributions provided for or paid.

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

	Note	2021 $M	2020 $M
Cash flows from operating activities			
Receipts from customers		**743.6**	696.2
Payments to suppliers and employees		**(212.7)**	(199.1)
Payments for maintenance of intangible assets		**(35.9)**	(80.3)
Other cash receipts		**5.4**	8.5
Interest received		**0.8**	1.7
Interest/debt fees paid		**(238.1)**	(229.7)
Shareholder loan note interest paid		**(50.9)**	(65.2)
Income taxes paid		**(0.4)**	(0.4)
Net cash inflow from operating activities	(a)	**211.8**	131.7
Cash flows from investing activities			
Payments for intangible assets		**(61.3)**	(102.0)
Payments for property, plant and equipment		**(23.2)**	(42.1)
Net cash outflow from investing activities		**(84.5)**	(144.1)
Cash flows from financing activities			
Proceeds from borrowings (net of costs)	(b)	**657.4**	230.6
Repayment of borrowings	(b)	**(314.7)**	-
Principal repayment of leases		**(2.1)**	(2.0)
Redemption of shareholder loan notes	(b)	**(21.7)**	(6.5)
Dividends and distributions paid	B9	**(191.5)**	(185.1)
Net cash inflow from financing activities		**127.4**	37.0
Net increase in cash and cash equivalents		**254.7**	24.6
Cash and cash equivalents at the beginning of the year		**116.7**	92.1
Cash and cash equivalents at end of the year	B7	**371.4**	116.7

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

	2021 $M	2020 $M
Loss for the year	**(90.4)**	(92.3)
Depreciation and amortisation	**246.3**	244.2
Non-cash net finance costs	**72.4**	37.6
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(13.9)**	2.9
Increase/(decrease) in operating creditors and accruals	**6.6**	(19.3)
Increase/(decrease) in provisions	**5.8**	(42.5)
(Increase)/decrease in deferred and current taxes	**(18.7)**	3.5
Increase/(decrease) in other liabilities	**3.7**	(2.4)
Net cash inflow from operating activities	**211.8**	131.7

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 current $M	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 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
Balance at 1 July 2020	**-**	**5,420.5**	**771.7**	**(518.7)**	**5,673.5**
Proceeds from borrowings (net of costs)	**-**	**657.4**	**-**	**-**	**657.4**
Repayment of borrowings	**-**	**(314.7)**	**-**	**-**	**(314.7)**
Redemption of shareholder loan notes	**-**	**-**	**(21.7)**	**-**	**(21.7)**
Total cash flows	**-**	**342.7**	**(21.7)**	**-**	**321.0**
Non-cash changes					
Foreign exchange movements	**-**	**(321.7)**	**-**	**313.5**	**(8.2)**
Transfer	**250.0**	**(250.0)**	**-**	**-**	**-**
Capitalised interest	**-**	**-**	**-**	**-**	**-**
Amortisation of borrowing costs	**-**	**0.1**	**-**	**-**	**0.1**
Total non-cash changes	**250.0**	**(571.6)**	**-**	**313.5**	**(8.1)**
Balance at 30 June 2021	**250.0**	**5,191.6**	**750.0**	**(205.2)**	**5,986.4**

1. Total derivatives balance at 30 June 2021 is a liability of $159.5 million (2020: $228 million asset). 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 consolidated financial statements

Basis of preparation and significant changes

B1 Corporate information

Transurban Queensland Holdings 1 Pty Limited (the Company 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, (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. Each of the companies is controlled by the Transurban Group (a stapled group) listed on the Australian Stock Exchange (ASX).

The principal activities of the Group for the financial year was 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. The Group is a for-profit entity.

Entities within the Group have their registered office at Level 39, 300 George Street, Brisbane QLD 4000. The Company's ABN is 64 169 090 804.

The consolidated financial statements of the Group for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 31 August 2021. 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 continued to impact the Group's operating performance, particularly traffic volumes and toll revenue. As COVID-19 restrictions have eased across Queensland, traffic volumes recovered to pre COVID-19 levels during the financial year. Notwithstanding this recovery, traffic volumes continue to remain sensitive to government responses to COVID-19 as observed subsequent to 30 June 2021 with restrictions reimposed in Brisbane. The Group's operations, liquidity and financial position have not been significantly impacted in the current reporting period by COVID-19.

The Group's concession assets have remained fully operational and investment into networks and development projects has continued throughout the period. The Group also successfully raised $569 million of debt in debt capital markets during May 2021 to refinance existing debt.

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 (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Have adopted all accounting policies in accordance with AAS, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in these financial statements;
- Have applied the option under ASIC Corporations (Stapled Group Reports) Instrument 2015/838 to present the consolidated financial statements in one section (Section A);
- 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;

B3 Basis of preparation (continued)

- 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.

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 2021.

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 observed subsequent to 30 June 2021 with restrictions reimposed in Queensland.

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 2021 of $63.3 million (2020: $85.4 million). Furthermore, the Group has considered its ability to obtain the required funding through credit markets and the repayment of principal due in December 2021 which has been pre-funded by the proceeds from debt issued in May 2021.

Scenario analysis has been undertaken on cash flow forecasts to reflect reasonably possible changes in traffic volume based on the prior 12 months and includes cash on hand as at 30 June 2021. 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 $371.4 million as at 30 June 2021;
- The Group has available a total of $200.4 million of undrawn borrowing facilities with a maturity beyond 12 months. The undrawn capital expenditure facility of $178.5 million is available to fund major capital expenditure projects or for general corporate purposes. The Group has an undrawn working capital facility of $21.9 million to provide additional liquidity;
- The Group is 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 $191.5 million of distributions and $21.7 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 and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit and loss are recognised in the profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in the fair value reserve in equity.

B3 Basis of preparation (continued)

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 2021. The Group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Description and impact on the Group
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 would need to be an organised workforce. Application of the new standard is prospective for acquisitions occurring on or after 1 July 2020. There was no impact on the Group from adopting the new standard.
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 has not materially impacted the Group.
AASB 2019-1 *Conceptual Framework for Financial Reporting* *Amendments to Australian Accounting Standards—References to the Conceptual Framework*	The 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 AAS, and to other for-profit entities that elect to apply it. The key amendments 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 has not materially impacted the Group given there is no change to existing AAS and there are no existing transactions that require the application of the revised Framework.
AASB 2019-5 *Amendments to Australian Accounting Standards—Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	Amendments to AASB 1054 to clarify that in order for an entity to assert compliance with IFRS in its financial statements, it is required to disclose the potential effect on its financial statements of an IFRS that has not yet been issued by the AASB as at reporting date. Application of the amendments has not impacted the Group.
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 has not materially impacted 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 2021. 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 2020-1 *Amendments to Australian Accounting Standards— Classification of Liabilities as Current or Non-current* **AASB 2020-6** *Amendments to Australian Accounting Standards— Classification of Liabilities as Current or Non-current – Deferral of Effective Date*	AASB 2020-1 amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. AASB 2020-6 defers the application date of AASB 2020-1 by one year. Application of the amendments is not expected to materially impact the Group.	1 January 2023	1 July 2023

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 Group includes when assessing whether a contract will be onerous. The application of the above amendments is prospective following the application date by the Group and is not expected to materially impact the Group.	1 January 2022	1 July 2022
AASB 2020-8 *Amendments to Australian Accounting Standards—Interest Rate Benchmark Reform – Phase 2*	This standard amends AASB 9 *Financial Instruments*, AASB 16 *Leases* and AASB 7 *Financial Instruments: Disclosures*, providing certain relief for hedge accounting and changes to contractual cash flows of financial instruments (including lease liabilities) due to the reform of inter-bank offered rates. The relief enables hedge accounting to continue for certain hedges that might otherwise need to be discontinued once an alternative benchmark interest rate is available. It also allows the recalculation of the carrying amount of a financial instrument using an updated effective interest rate to reflect the change to the benchmark rate for the purpose of discounting the revised contractual cash flows. The application of the amendments is not expected to materially impact the Group.	1 January 2021	1 July 2021

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 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	The standard amends AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 134 *Interim Financial Reporting* and AASB Practice Statement 2 Making Materiality Judgements to: • improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and • distinguish changes in accounting estimates from changes in accounting policies. The application of the amendments is not expected to materially impact the Group.	1 January 2023	1 July 2023
AASB 2021-3 *Australian Accounting Standards - COVID-19 Related Rent Concessions beyond 30 June 2021*	AASB 2021-3 extends the date of the practical expedient provided to lessees in AASB 2020-4 from 30 June 2021 to 30 June 2022. The practical expedient allows lessees to recognise any change in lease payments (now due before 30 June 2022) arising from a COVID-19 related rent concession directly in the profit and loss and not have to assess whether it is lease modification. Application of this standard is not expected to materially impact the Group.	1 April 2021	1 July 2021
AASB 2021-5 *Amendments to Australian Accounting Standards— Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	AASB 2021-5 has made amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 112 *Income Taxes* which require companies in specified circumstances to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Transactions that are expected to be captured by the amendments include leases where the entity is a lessee and decommissioning obligations. The amendments are not expected to materially impact the Group as the Group has already recognised deferred tax on lease arrangements where the Group is a lessee and there are no other transactions expected to be captured within the amendments.	1 January 2023	1 July 2023

B3 Basis of preparation (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 the most 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 B6*
Fair value of derivatives and other financial instruments	*Note B12*
Recoverability of goodwill and other intangible assets	*Note B13 and Note B14*
Provision for maintenance expenditure	*Note B15*
Contingencies	*Note B20*

Key estimate and judgement

The Group has made a number of estimates and judgements as at 30 June 2021 as a result of COVID-19. These estimates and judgements are included in the notes to the consolidated financial statements as applicable.

Operating performance

B4 Segment Information

The Group's chief operating decision maker (the Board of Directors) applies an integrated network approach to operate, develop and invest in the portfolio of underlying assets, as the operating activities, tolling services, regulatory environment and customer and client relationships are shared across each of the concession assets managed by the Group. Hence the Group is viewed as a single operating segment, which is aligned to the information reported to the Board of Directors.

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

B5 Revenue

	2021 $M	2020 $M
Toll revenue	**679.5**	630.8
Construction revenue	**4.6**	91.1
Other revenue	**5.0**	8.4
Total revenue	**689.1**	730.3

The Group's principal revenue generating activities, being the service concession arrangements, are accounted for in accordance with AASB Interpretation 12 *Service Concession Arrangements* (IFRIC 12) and AASB 15 *Revenue from Contracts with Customers*. Those 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 into the intangible asset model. The revenue streams covered by this model are toll revenue and construction revenue. Revenue of the Group includes toll revenue and construction revenue. The 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, advertising revenue, and tolling services revenue and is recognised at the point in time 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 is recognised using the effective interest method.

B6 Income tax

Income tax expense/(benefit)

	2021 $M	2020 $M
Current tax	(18.0)	(24.5)
Deferred tax	(4.1)	11.2
(Over)/under provision in prior years	5.3	0.4
	(16.8)	(12.9)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase)/decrease in deferred tax assets	(2.6)	13.5
Increase/(decrease) in deferred tax liabilities	(1.5)	(2.3)
	(4.1)	11.2

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

	2021 $M	2020 $M
Loss before income tax expense/(benefit)	(107.2)	(105.2)
Tax at the Australian tax rate of 30.0% (2020: 30.0%)	(32.2)	(31.6)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	13.3	6.7
Sundry items	(3.5)	3.5
Non-deductible expenses	0.3	8.1
(Over)/under provision in prior years	5.3	0.4
Income tax benefit	(16.8)	(12.9)
Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	(2.2)	43.3
Cost of hedging	(0.3)	-
	(2.5)	43.3

Deferred tax assets and liabilities

	Assets		Liabilities	
	2021 $M	2020 $M	2021 $M	2020 $M
The balance comprises temporary differences attributable to:				
Provisions	240.4	229.3	(0.6)	-
Current and prior year losses	173.1	146.4	-	-
Fixed assets/intangibles	508.8	546.2	(158.1)	(159.7)
Lease liabilities	1.2	0.6	-	-
Derivatives and foreign exchange	66.6	45.1	(4.8)	-
Tax assets/(liabilities)	990.1	967.6	(163.5)	(159.7)
Set-off of tax	(163.5)	(159.7)	163.5	159.7
Net tax assets/(liabilities)	826.6	807.9	-	-
Movements:				
Opening balance at 1 July	967.6	999.8	(159.7)	(161.8)
Credited/(charged) to the statement of comprehensive income	2.6	(13.5)	1.5	2.3
Credited/(charged) to equity	7.3	(43.3)	(4.8)	-
Current year losses recognised/(prior year losses utilised) and under/(over) provision in prior years	12.6	24.6	(0.5)	(0.2)
Closing balance at 30 June	990.1	967.6	(163.5)	(159.7)
Deferred tax assets/(liabilities) to be recovered/(paid) after more than 12 months	990.1	967.6	(163.5)	(159.7)

B6 Income tax (continued)

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 2021.

Accounting policy

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

The Group 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 and loss. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

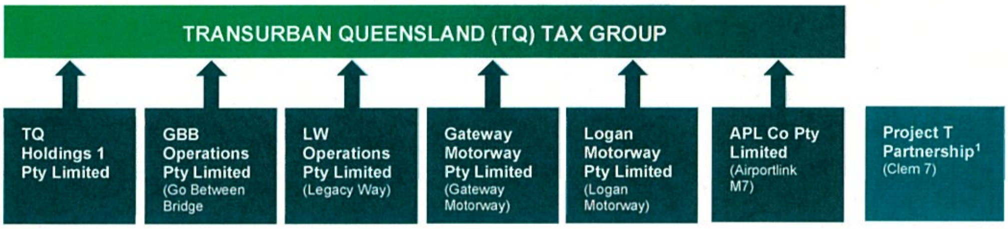
B6 Income tax (continued)

Tax consolidation legislation

Transurban Queensland has adopted the Australian tax consolidation legislation for TQH1 and its 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.

Key estimate and judgement

Significant judgement is required in determining the provision for income taxes. There are various 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.

B7 Working capital

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

	2021 $M	2020 $M
Current assets		
Cash and cash equivalents	371.4	116.7
Total cash	**371.4**	**116.7**
Trade receivables	24.3	17.4
Other receivables	17.5	10.5
Total receivables	**41.8**	**27.9**
Total current assets	**413.2**	**144.6**
Current liabilities		
Trade and other payables	(85.6)	(76.5)
Net working capital	**327.6**	**68.1**

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 $9.4 million not available for general use at 30 June 2021 (2020: $7.7 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 the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Trade receivables are generally due for settlement no more than 30 days from revenue recognition.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime 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. 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 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 2021, the expected loss rates incorporate forward-looking information about the impacts of COVID-19 and the initiatives implemented by the Group to support customers experiencing social and financial hardship for a range of reasons. Such forward-looking information reflects management's estimate based on the information available as at 30 June 2021.

B7 Working capital (continued)

The loss allowance as at 30 June 2021 and 30 June 2021 was determined as follows for trade receivables:

30 June 2021	Current	Up to 90 days past due	More than 90 days past due	Total
Expected loss rate	**2%**	**3%**	**90%**	**N/A**[1]
Gross carrying amount ($M)	**19.9**	**3.6**	**11.6**	**35.1**
Loss allowance ($M)	**(0.4)**	**(0.1)**	**(10.3)**	**(10.8)**

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)

[1] N/A – Not applicable

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

	2021 $M	2020 $M
Opening loss allowance	**9.4**	**9.3**
Increase in loss allowance recognised in the profit and loss during the year	**2.7**	**0.8**
Receivables written off during the year as uncollectible	**(1.2)**	**(0.7)**
Closing loss allowance	**10.9**	**9.4**

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.

Consistent with the assessment following the onset of COVID-19 at 30 June 2020, as at 30 June 2021, 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 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 (2020: $9 million), following the write off of $9 million in other financial assets in the year ended 30 June 2021.

Trade and other payables

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

Trade and other payables are recognised initially at fair value, usually based on the transaction cost or face value and subsequently measured at amortised cost using the effective interest method. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

B8 Other liabilities

	2021 $M	2020 $M
Current		
Prepaid tolls	**57.6**	52.5
Other liabilities	**0.3**	-
Leases (refer to Note B23)	**1.0**	2.2
Total other current liabilities	**58.9**	54.7
Non-current		
Leases (refer to Note B23)	**19.9**	19.8
Other liabilities	**2.0**	1.4
Total other non-current liabilities	**21.9**	21.2
Total other liabilities	**80.8**	75.9

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

B9 Dividends/distributions

Distributions paid by the Group

	Total $M	Paid in cash $M	cps	Date paid/ Payable
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	
	82.2	82.2	1.8	31 March 2020
Quarter ended 30 June 2020				
Distribution – TQIT	21.5	21.5	0.5	
	21.5	21.5	0.5	30 June 2020
Total paid FY20	185.1	185.1	4.1	
2021				
Quarter ended 30 September 2020				
Distribution – TQIT	**57.6**	**57.6**	**1.3**	
	57.6	**57.6**	**1.3**	30 September 2020
Quarter ended 31 December 2020				
Distribution – TQIT	**46.2**	**46.2**	**1.0**	
	46.2	**46.2**	**1.0**	31 December 2020
Quarter ended 31 March 2021				
Distribution –TQIT	**78.6**	**78.6**	**1.7**	
	78.6	**78.6**	**1.7**	31 March 2021
Quarter ended 30 June 2021				
Distribution – TQIT	**9.1**	**9.1**	**0.2**	
	9.1	**9.1**	**0.2**	30 June 2021
Total paid FY21	**191.5**	**191.5**	**4.2**	

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 are in addition to the redemption of shareholder loan note principal (refer to Note B24).

Capital and borrowings

B10 Net finance costs

	2021 $M	2020 $M
Finance income		
Interest income on bank deposits	**0.7**	1.5
Total finance income	**0.7**	1.5
Finance costs		
Interest and finance charges paid/payable	**(243.6)**	(234.5)
Net unrealised remeasurement loss attributable to derivative financial instruments	**(48.2)**	13.8
Shareholder loan note interest and finance charges	**(50.9)**	(65.4)
Unwind of discount and remeasurement on provisions and other liabilities	**(20.8)**	(34.4)
Total finance costs	**(363.5)**	(320.5)
Net finance costs	**(362.8)**	(319.0)

Borrowing cost capitalised to assets under construction

In addition to the net finance costs (shown above) that are included in the profit and loss, $nil (2020: $9.1 million) financing costs have been capitalised and included in the carrying value of concession assets (refer to Note B14) and $0.4m (2020: $0.4 million) financing costs have been capitalised and included in the carrying value of property, plant and equipment.

Unrealised remeasurement loss attributable to derivative financial instruments

The Group uses derivative financial instruments in the normal course of business to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. The Group has entered into cross-currency interest rate swaps that hedge 100% of its economic exposure to borrowings held in foreign currencies. The cross-currency interest rate swap contracts hedge the risk of unfavourable foreign exchange rate movements on borrowings denominated in foreign currencies. Under the swap contracts, the Group receives foreign currency at fixed rates and pays AUD at either fixed or floating rates.

At the end of each reporting period the Group remeasures the cross-currency interest rate swap contracts at fair value and applies hedge accounting. The periodic remeasurement of the cross-currency interest rate swap contracts to fair value includes an element of foreign currency basis spread. For those cross-currency interest rate swap contracts that designate the entire fair value of the cross-currency interest swap contract as the hedging instrument (including the foreign currency basis spread component), this can result in ineffectiveness in the hedging relationship that is recognised in the profit and loss.

In the year ended 30 June 2021 the Group observed a significant appreciation in the AUD relative to other foreign currencies, which resulted in a significant change in the fair value of these cross-currency interest rate swaps (including the foreign currency basis spread), as outlined at Note B12. While the Group has removed the cash flow risk of unfavourable exchange rate movements through the use of these swaps, hedge accounting ineffectiveness is the primary driver of the net unrealised remeasurement loss attributable to derivative financial instruments for the year ended 30 June 2021.

B11 Borrowings

	2021 $M	2020 $M
Current		
Capital markets debt	**250.0**	-
Non-current		
Capital markets debt	**2,462.8**	2,262.9
U.S. private placement	**2,524.8**	2,725.4
Term debt	**204.0**	432.2
Total non-current borrowings	**5,191.6**	5,420.5
Total borrowings	**5,441.6**	5,420.5

Accounting policy

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised the profit or loss over the period of the borrowings on an effective interest basis.

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 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

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.

Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the relevant projects giving rise to qualifying assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is net of any interest earned on those borrowings.

B11 Borrowings (continued)

Financing arrangements and credit facilities

During the reporting period the Group priced CHF 190 million (A$269 million) of senior secured 10.5 years notes under its European Medium Term Note (EMTN) programme. All proceeds from the notes were swapped into Australian dollars and the interest exposure was fully hedged for the term of the notes. In addition, the Group issued $300 million of senior secured notes with a maturity of 10.25 years in the Australian Medium Term Note (AMTN) market. The combined proceeds from these two issuances were used to refinance drawn amounts on an existing capex facility and to pre-fund the planned redemption of the Group's December 2021 A$250m AMTN in September 2021.

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 2021 $M	Carrying value 2020 $M
Working capital facilities			
AUD 25 million facility	Aug 2022	**-**	-
Capital markets debt			
Domestic bond AUD 250m	Dec 2021	**250.0**	250.0
EMTN CHF 200m	Jun 2023	**288.6**	306.2
Domestic bond AUD 200m	Oct 2023	**200.0**	200.0
Domestic bond AUD 200m	Dec 2024	**200.0**	200.0
EMTN CHF 200m	Dec 2025	**288.6**	306.2
EMTN CHF 175m	Nov 2026	**252.5**	267.9
EMTN Reg S USD 500m	Apr 2028	**664.8**	729.2
Domestic bond AUD 300m	Aug 2031	**300.0**	-
EMTN CHF 190m	Nov 2031	**274.2**	-
U.S. Private Placement			
Sep 2015 - Tranche A USD 155m	Sep 2025	**206.1**	226.1
Dec 2016 - Tranche A USD 130m	Dec 2026	**172.8**	189.6
Dec 2016 - Tranche D AUD 35m	Dec 2026	**35.0**	35.0
Sep 2015 - Tranche B USD 230m	Sep 2027	**305.8**	335.4
Dec 2016 - Tranche B USD 225m	Dec 2028	**299.1**	328.2
May 2019 - Tranche A AUD 30m	May 2029	**30.0**	30.0
May 2019 - Tranche C USD 144m	May 2029	**191.5**	210.0
Sep 2015 - Tranche C USD 256m	Sep 2030	**340.4**	373.4
Sep 2015 - Tranche D AUD 70m	Sep 2030	**70.0**	70.0
May 2019 - Tranche D USD 245m	May 2031	**325.7**	357.3
Dec 2016 - Tranche C USD 78m	Dec 2031	**103.7**	113.8
Dec 2016 - Tranche E AUD 75m	Dec 2031	**75.0**	75.0
May 2019 - Tranche B AUD 40m	May 2034	**40.0**	40.0
May 2019 - Tranche E USD 180m	May 2034	**239.3**	262.5
Dec 2016 - Tranche F AUD 100m	Jan 2035	**100.0**	100.0
Term debt			
Capex facility AUD 185m[1]	Aug 2022	**6.8**	232.4
Term Debt AUD 200m	Apr 2030	**200.0**	200.0
Net capitalised borrowing costs		**(18.3)**	(17.7)
Total non-recourse debt, net of capitalised borrowing costs		**5,441.6**	5,420.5

1. This facility was refinanced during FY20. As part of refinancing activities in FY21, the facility limit was reduced from $500 million to $185.3 million.

B11 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 2021 the facility was undrawn.

Capital markets debt

A Transurban Queensland Finance 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.

A Transurban Queensland Finance AMTN program was established in November 2014 with a program limit of $2.0 billion. 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 B24 for further details on shareholder loan notes.

Corporate credit facilities

	2021 $M			2020 $M	
	Maturity date	Facility amount	Amount issued	Facility amount	Amount issued
Working capital facility[1]	Aug 2022	3	3	3	3

1. $3 million letter of credit facility was refinanced in FY20. The $3 million drawn amount reflects the 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. 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

B12 Derivatives and financial risk management

Derivatives

	2021 $M Current	2021 $M Non-current	2020 $M Current	2020 $M Non-current
Assets				
Cross-currency interest rate swap contracts – cash flow hedges	-	16.0	-	299.4
Total derivative financial instrument assets	-	16.0	-	299.4
Liabilities				
Interest rate swap contracts – cash flow hedges	-	44.0	-	71.4
Cross-currency interest rate swap contracts – cash flow hedges	-	131.5	-	-
Total derivative financial instrument liabilities	-	175.5	-	71.4

Accounting policy

Initial recognition and subsequent measurement

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 the 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.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. 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 the cash flow hedge reserve 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.

B12 Derivatives and financial risk management (continued)

Derivatives (continued)

Accounting policy (continued)

Cash flow hedges (continued)

The Group has chosen to exclude currency basis spread from its cash flow hedge relationships where the designated hedging instrument is a cross-currency interest rate swap entered into on or after 1 July 2020. Changes in currency basis spread from 1 July 2020 are recognised through other comprehensive income in a separate cost of hedging reserve.

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.

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% (2020: 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.

B12 Derivatives and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

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

	2021 $M	2020 $M
Cross-currency interest rate swaps		
Carrying amount	**(115.5)**	299.4
Notional amount	**3,909.0**	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	**(256.3)**	301.9
Change in value of hedged item used to determine hedge effectiveness	**275.2**	(300.3)

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

2020 $M	Less than 12 months	1-5 years	Over 5 years	Total notional 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%	-
2021 $M				
Cross-currency swaps (AUD:USD)	-	**155.0**	**1,988.0**	**2,143.0**
Average AUD-USD exchange rate	-	0.76	0.75	-
Average fixed interest rate[1]	-	5.5%	4.9%	-
Cross-currency swaps (AUD:CHF)	-	**400.0**	**365.0**	**765.0**
Average AUD-CHF exchange rate	-	0.73	0.73	-
Average fixed interest rate[1]	-	4.5%	3.9%	-

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:

	Hedge loss/(gain) 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
2020					
Foreign currency risk	(285.6)	(13.8)	Net finance costs	-	Net finance costs
2021					
Foreign currency risk	**85.7**	**48.2**	**Net finance costs**	**-**	**Net finance costs**

B12 Derivatives and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

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

	2021 $M		2020 $M	
	USD	CHF	USD	CHF
Borrowings	(2,143.0)	(765.0)	(2,143.0)	(575.0)
Cross-currency interest rate swaps	2,143.0	765.0	2,143.0	575.0
Net exposure	-	-	-	-

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

	2021 $M		2020 $M	
	Movement in post-tax profit	Increase / (decrease) in equity	Movement in post-tax profit	Increase / (decrease) in equity
AUD/USD				
+ 10 cents	-	(51.4)	-	(88.4)
- 10 cents	-	67.2	-	118.6
AUD/CHF				
+ 10 cents	-	(6.9)	-	(6.7)
- 10 cents	-	9.2	-	9.2

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. 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 2021, 100% (2020: 100%) of the Group's interest rate exposures on term loans and debt capital market issuances was hedged.

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 2021 was $6.8 million (2020: $232.4 million). 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:

	2021 $M	2020 $M
Interest rate swaps		
Carrying amount	(44.0)	(71.4)
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	(105.3)	(21.2)
Change in value of hedged item used to determine hedge effectiveness	109.6	20.2

B12 Derivatives and financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

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

2020 $M	Less than 12 months	1 – 5 years	Over 5 years	Total notional amount
Interest rate swaps	-	200.0	240.0	440.0
Average fixed interest rate[1]	-	3.4%	2.6%	-
2021 $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:

2020	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	71.5	-	Net finance costs	-	Net finance costs
2021					
Interest rate risk	**44.1**	**-**	**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:

	2021 $M	2020 $M
Cash and cash equivalents	**371.4**	116.7
Floating rate borrowings	**(446.8)**	(672.4)
Interest rate swaps (notional principal amount)	**440.0**	440.0
Net exposure to interest rate risk	**364.6**	(115.7)

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

	Increase / (decrease) in equity	
	2021 $M	2020 $M
Interest rates +100bps	**3.6**	(1.2)
Interest rates –100bps	**(3.6)**	1.2

B12 Derivatives and financial risk management (continued)

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.

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.

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 lower 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.

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:

	2021 $M	2020 $M
Floating rate		
Expiring within one year	-	-
Expiring beyond one year	**200.4**	289.5
Total undrawn borrowing facilities	**200.4**	289.5

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.

B12 Derivatives and financial risk management (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities (continued)

2021 $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	85.6	-	-	-	-	-	85.6	85.6
Borrowings	340.0	461.4	386.6	367.3	652.8	4,605.3	6,813.3	5,441.6
Interest rate swaps[1]	13.1	11.8	9.7	5.9	2.8	4.8	48.0	44.0
Cross-currency swaps[1]	59.3	58.3	47.8	47.7	39.9	102.9	355.9	115.5
Shareholder loans	35.3	35.3	35.4	35.3	35.3	1,545.5	1,722.3	750.0
Lease liabilities	1.0	0.6	1.8	3.5	3.6	16.6	27.1	20.9
Total	534.3	567.4	481.3	459.7	734.4	6,275.1	9,052.2	6,457.6

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

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 B12.

Capital 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 their 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 are 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 for level 2 instruments.

Key estimate and judgement
The fair value of financial instruments traded in active markets is based on quoted market prices at reporting date. The fair value of instruments that are not traded in an active market is determined by the Group using valuation techniques based on assumptions, and market conditions existing at reporting date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Concession summary

B13 Goodwill

	2021 $M	2020 $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 B13) and other intangible assets (Note B14). 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. 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.

Impairment testing is undertaken by calculating the recoverable amount, based on the higher 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 (CGUs). Goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

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 CGUs 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 lower traffic volumes in the near-term related to COVID-19, followed by a gradual improvement in traffic profiles in part associated with the further easing of government mandated COVID-19 restrictions. Cash flows beyond this period are modelled using a consistent set of long-term assumptions up to the end of the applicable concession period:

	2021	2020
Long term CPI (% annual growth)	**2.5%**	**2.5%**
Long term average weekly earnings (% annual growth)	**3.5%**	**3.5%**
Pre-tax discount rate (%)	**8.2%**	**8.2%**

B13 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	Forecasts are developed based on historical trends and Group's long-term traffic forecasting models, inclusive of some expectation of industry changes. Short term and long term forecasting models 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 in part expected to be associated with the further easing of government mandated COVID-19 restrictions.
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 since the onset of COVID-19.

The impairment testing indicates the recoverable amount of each Group 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 2021.

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.

B14 Other intangible assets

2021 $M	Concession assets	Assets under construction	Total
Cost	9,040.8	-	9,040.8
Accumulated amortisation	(1,484.1)	-	(1,484.1)
Net carrying amount	**7,556.7**	-	**7,556.7**

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

Movement in intangible assets

	Concession assets $M	Assets under construction $M	Total $M
Opening balance 1 July 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**
Additions	**4.4**	-	**4.4**
Amortisation charge	**(237.5)**	-	**(237.5)**
Net carrying amount 30 June 2021	**7,556.7**	-	**7,556.7**

Accounting policy

The Group recognises intangible assets only if it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. In addition, for internally generated intangible assets, development costs are only capitalised when certain criteria are met. All research costs are expensed.

Concession assets

Concession assets represent the Group's rights to operate and maintain 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.

	2021 Years	2020 Years
Gateway and Logan	**30**	**31**
Clem7 Tunnel	**30**	**31**
AirportlinkM7	**32**	**33**
The Go Between Bridge	**42**	**43**
Legacy Way Tunnel	**44**	**45**

B14 Other intangible assets (continued)

Accounting policy (continued)

Intangible asset model (continued)

Concession assets constructed by the Group are recorded at the fair value of consideration received or receivable for the construction services delivered, by reference to the stand-alone selling price of the construction services provided. Concession assets acquired by the Group are recorded at the fair value of the assets at the date of acquisition.

Construction costs

Construction costs cover all contracted construction payments, all pre-construction development costs and any other project costs directly attributable to the assets under construction. The costs are recognised in accordance with the percentage of completion method. Other costs include all directly attributable costs of the projects, including an appropriate allocation of overheads.

Construction costs relating to completed works are transferred to the concession asset upon final completion of the project.

Impairment of non-financial assets

Intangible assets, other than goodwill

At each reporting period, the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment is identified, impairment testing is performed.

Impairment testing is undertaken by calculating the recoverable amount, based on the higher of fair value less costs of disposal and value in use, and estimated using discounted cash flows.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through 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.

Assets under construction

For the purposes of impairment testing, these balances are classified as contract assets and subject to the impairment requirements in AASB 9 *Financial Instruments*.

B15 Maintenance provision

Accounting policy

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

Provisions are discounted to the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the discount unwinding over the passage of time is recognised as a finance cost.

Movement in maintenance provision

	Current $M	Non-current $M
Carrying value at 1 July 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
Additional provision recognised	**-**	**37.8**
Amounts paid/utilised	**(37.6)**	**-**
Unwinding of discount	**-**	**18.9**
Transfer	**77.9**	**(77.9)**
Carrying value at 30 June 2021	**77.1**	**542.7**

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 rolling 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

B16 Principles of consolidation

Subsidiaries

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

Subsidiaries are fully consolidated from the date 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.

B17 Material subsidiaries

The Group's material subsidiaries are outlined below.

			% Equity Interest[1]	
Name of entity[1]	**Principal Activities**	**Country of incorporation**	**2021**	**2020**
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 incorporated entities with non-controlling interests (Trust entities with non-controlling interests are detailed within Note B18).

Ultimate Parent

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

B18 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]	
	2021 $M	**2020 $M**
Summarised balance sheet		
Current assets	**63.6**	187.8
Non-current assets	**7,424.4**	7,447.9
Current liabilities	**(301.6)**	(41.0)
Non-current liabilities	**(5,375.8)**	(5,493.6)
Net assets	**1,810.6**	2,101.1
Carrying amount of non-controlling interests	**1,810.6**	2,101.1
Summarised statement of comprehensive income		
Revenue	**358.5**	361.4
Loss for the year	**(82.7)**	(12.1)
Other comprehensive income/(loss)	**(16.5)**	113.9
Total comprehensive income/(loss)	**(99.2)**	101.8
Loss allocated to non-controlling interests	**(82.7)**	(12.1)
Other comprehensive income/(loss) allocated to non-controlling interests	**(16.5)**	113.9
Summarised cash flows		
Cash flows from operating activities	**158.5**	171.7
Cash flows from investing activities	**(1.2)**	(101.7)
Cash flows from financing activities	**(186.5)**	(55.0)
Net increases in cash and cash equivalents	**(29.2)**	15.0

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.

B19 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:

B19 Deed of cross guarantee (continued)

	2021 $M	2020 $M
Summarised statement of comprehensive income		
Revenue	**82.3**	82.0
Operating costs	**(0.1)**	(0.3)
Net finance costs	**(40.7)**	(55.9)
Profit before income tax	**41.5**	25.8
Income tax benefit	**14.2**	15.4
Profit for the year	**55.7**	41.2
Total comprehensive income for the year	**55.7**	41.2
Summarised movements in retained earnings		
Retained earnings at 1 July	**206.4**	165.3
Profit for the year	**55.7**	41.2
Retained earnings at the end of the year	**262.1**	206.5
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**250.3**	1.6
Trade and other receivables	**223.6**	129.1
Total current assets	**473.9**	130.7
Non-current assets		
Other financial assets	**1,810.2**	1,751.2
Other receivables	**1,213.1**	1,189.9
Deferred tax assets	**173.8**	147.4
Total non-current assets	**3,197.1**	3,088.5
Total assets	**3,671.0**	3,219.2
Current liabilities		
Trade and other payables	**284.7**	175.4
Total current liabilities	**284.7**	175.4
Non-current liabilities		
Payables	**2,517.9**	2,233.2
Other liabilities	**37.4**	35.2
Total non-current liabilities	**2,555.3**	2,268.4
Total liabilities	**2,840.0**	2,443.8
Net assets	**831.0**	775.4
Equity		
Contributed equity	**568.9**	568.9
Retained earnings	**262.1**	206.5
Total equity	**831.0**	775.4

Expected credit loss

As at 30 June 2021, 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 financial assets at amortised cost in the parent entity. 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 financial assets at amortised cost continues to be limited to 12 months of expected losses. 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 2021 the loss allowance has been updated for management's estimate of the collectability of these balances and is $10.9 million (2020: $9.4 million).

Items not recognised

B20 Contingencies

Contingent assets are possible recoveries whose existence will only be confirmed by uncertain future events not wholly within the 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 only be confirmed by uncertain future events and present obligations where the transfer of economic resources is not probable or cannot be reliably estimated. 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 2021.

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 consideration paid in the period

During the year ended 30 June 2021, the Group paid $59 million to the Brisbane City Council to extinguish the contingent consideration payable for the acquisition of the Legacy Way tunnel concession asset. The payment has been presented as 'payments for intangible assets' in 'cash flows from investing activities' within the consolidated statement of cash flows for the year ended 30 June 2021.

Parent entity

The parent entity does not have any contingent liabilities at reporting date (2020: $nil).

B21 Commitments

	Capital commitments	
	2021 $M	**2020 $M**
Within one year	**6.9**	14.1
Later than one year but not later than five years	**5.2**	9.0
Total commitments	**12.1**	23.1

B22 Subsequent events

Other than as disclosed at Note B2 and Note B3 to the consolidated financial statements, 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

B23 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:

	2021 $M	2020 $M
Net carrying amount 1 July 2020	20.1	3.3
Depreciation charge for the year	(3.4)	(2.9)
Additions to right-of-use assets	-	19.7
Net carrying amount 30 June 2021	16.7	20.1

Lease Liability

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

	2021 $M	2020 $M
Current	(1.0)	(2.2)
Non-current	(19.9)	(19.8)
Total lease liability	(20.9)	(22.0)

Refer to Note B12 for contractual maturities for lease liabilities.

Reconciliation of lease liabilities arising from financing activities

	2021 $M	2020 $M
Balance at 1 July	22.0	3.4
Principal repayment of leases	(2.1)	(2.0)
Total cash flows	(2.1)	(2.0)
Non-cash changes		
Additions to right-of-use asset	-	19.7
Unwinding of discount	1.0	0.9
Total non-cash changes	1.0	20.6
Balance at 30 June 2021	20.9	22.0

The total cash outflow for leases in the year ended 30 June 2021 was $2.1 million (2020: $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.

B23 Leases (continued)

Accounting policy

Third party office space leases

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 considers 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.

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.

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.

B24 Related party transactions

	2021 $'000	2020 $'000
Transactions with related parties		
Shareholder loan interest expense	**(50,917.3)**	(65,428.8)
Transurban Limited service fee	**(11,183.7)**	(10,843.9)
Additional service fees expense	**(23,475.3)**	(22,058.4)
Outstanding balances with related parties		
Shareholder loan notes	**(750,000.0)**	(771,697.5)
Related party payables	**(1,171.9)**	(1,903.8)

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, based on an interest rate equal to the Group's weighted average cost of debt plus a margin of 0.5%, which is re-set annually on 1 July.
- $102.2m of loan notes issued in April 2016, which have been repaid to shareholders as at 30 June 2021. Interest was payable on a quarterly basis, based on an interest rate equal to the Group's weighted average cost of debt plus a margin of 0.5%, which is re-set annually on 1 July.

The shareholder loan notes are unsecured. During the year, the shareholder loan notes deeds were amended effective 1 January 2021 for the interest rate definition described above.

As per the requirements of AASB 9: *Financial Instruments*, due to the significance of change in interest rates, the change was accounted for as a substantial modification resulting in derecognition of the carrying amount of the shareholder loan notes balances and recognition of the shareholder loan notes at fair value calculated on prevailing market interest rate.

B25 Key management personnel compensation

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

Key management personnel compensation

	2021 $	2020 $
Short-term employee benefits	**2,374,474**	1,983,670
Post-employment benefits	**87,340**	77,010
Termination benefits	**165,728**	-
Long-term benefits	**(53,624)**	1,420
Share-based payments	**149,654**	83,477
Deferred short term incentives	**530,537**	424,403
	3,254,109	2,569,980

The above details of key management personnel compensation do not include compensation paid to S Charlton, H Wehby, M Huey, V Hannan and J Ross and D Clements which is paid by Transurban Limited and recharged to the Group as part of the management fee. This management fee, which is included in the Transurban Limited service fee (see Note B24), includes other recharges and it is not possible to identify separately the amount of these key management personnel's compensation attributable to the Group.

Total compensation of S Charlton, H Wehby and M Huey is included in the key management personnel compensation disclosed in the consolidated financial statements of Transurban Holdings Limited, the ultimate parent entity of the Group.

B26 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

	2021 $	2020 $
Audit and review of financial reports	**562,000**	511,000
Other assurance services	**143,400**	-
Total remuneration for PricewaterhouseCoopers	**705,400**	511,000
Total auditor's remuneration	**705,400**	511,000

B27 Parent entity disclosures

Parent entity information

The financial information for the parent entity, TQH1, has been prepared on the same basis as the consolidated financial statements, with the exception of investments in subsidiaries, which are accounted for at cost in the financial statements of the parent entity, and distributions, dividends or coupon payments from subsidiaries recognised in the parent entity's profit and loss, rather than being deducted from the carrying amount of these investments.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost and subsequently recognised at cost less allowance for impairment losses measured by reference to the recoverable amount of the investment, in the parent entity financial statements of TQH1. Investment acquisition costs are capitalised into the value of the investment at the time of purchase.

Dividends received from associates are recognised in the parent entity's profit and loss, rather than being deducted from the carrying amount of these investments.

Equity note coupons received from controlled entities are recognised in the profit and loss, rather than being deducted from the carrying amount of these investments.

B27 Parent entity disclosures (continued)

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 B19.

Summary financial information

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

	2021 $M	2020 $M Restated
Balance sheet		
Current assets	**506.3**	159.1
Total assets	**2,063.6**	1,666.6
Current liabilities	**(289.1)**	(172.1)
Total liabilities	**(1,353.9)**	(1,010.7)
Net assets	**709.7**	655.9
Shareholders' equity		
Contributed equity	**568.9**	568.9
Retained earnings	**140.8**	87.0
Total equity	**709.7**	655.9
Profit for the year	**53.8**	40.4
Total comprehensive income	**53.8**	40.4

Expected credit loss

As at 30 June 2021, 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 financial assets at amortised cost in the parent entity. 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 financial assets at amortised cost continues to be limited to 12 months of expected losses. 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 2021 the loss allowance has been updated for management's estimate of the collectability of these balances and is $3.9 million (2020: $3.6 million).

Section C: Signed reports

Directors' declaration

In the opinion of the Directors:

(a) the financial statements and notes as set out on pages 16 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 2021 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 B19 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 B19.

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.

D O'Toole
Director

S Johnson
Director

Brisbane
31 August 2021

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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 & 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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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 2021, 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 2021