

# Annual report | 2010



**Purpose of the report** | This Annual Report summarises the financial, operational, environmental and social performance of Queensland Motorways for the 2009/10 financial year and presents a look ahead at planned activity for the coming year. The Report is distributed to Queensland Motorways' shareholders, stakeholders and staff and is available on the Queensland Motorways website for public information.

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## Who we are

Queensland Motorways is a progressive tolling infrastructure development company specialising in delivering, owning and operating toll road and bridge infrastructure in south-east Queensland and developing advanced transport technology solutions.

Under a road franchise agreement with the State Government, Queensland Motorways owns and operates some of south-east Queensland's most significant infrastructure including the Gateway, Gateway Extension and Logan tolled motorways, and the Port of Brisbane Motorway. Our 68 kilometre road network, which is expected to record more than 81 million tolled trips in the coming year, is designed to relieve suburban roads of congestion. It creates better connections for business, industry and tourism, including easier travel between the Gold and Sunshine coasts and improved access to the Brisbane Airport, the Port of Brisbane and the Australia TradeCoast Precinct.

Our vision is to be a leader in providing quality motorways and transport solutions that are valued by our customers.

# 2009/10 overview

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The past year has been one of significant change and transformation for Queensland Motorways. In 2009/10 south-east Queensland continued to grow, adding further pressure to our key road networks. The Queensland toll road sector changed, with the introduction of free-flow tolling technology, new toll road operators, and new brands and payment options, making it a dynamic operating environment. The delivery of customer-focused transport infrastructure, technology, and payment options and services is critical to maintaining our ongoing success, as is our ability to leverage these new technologies and systems, and this is where we have focused much of our attention over the past year.

In 2009/10 we continued to grow our traffic volumes and toll revenue, recording increases of 5.5 per cent and eight per cent respectively.

We continued to deliver our landmark project—the \$2.12 billion Gateway Upgrade Project (GUP)—the construction phase of which is due to be completed in mid-2011. The largest bridge and road project in Queensland's history, it includes the duplication of the original Gateway Bridge (recently renamed, together with its duplicate, the 'Sir Leo Hielscher Bridges'), refurbishment of the original bridge, upgrading 16 kilometres of motorway south of the bridges and construction of seven kilometres of new motorway north of the bridges, including a second access to the Brisbane Airport. During the year the new Sir Leo Hielscher Bridge – South was completed and opened six months ahead of schedule and progressive openings of completed upgrades south of the bridges were also delivered and opened to traffic. Construction of a four kilometre extension at the southern end of the project (referred to as the GUP Southern Extension) was announced during the year and will be completed within the original Project's construction timeframe of mid-2011.

On 22 July 2009, free-flow tolling commenced on our road network, two years earlier than originally planned. Free-flow tolling is a no-stopping tolling system where tolls are automatically calculated as motorists travel under a toll point. Motorists have enjoyed a relatively seamless transition to the new system, both on the road and through our toll payment system. During the year we implemented a series of enhancements to the roadside system and fine-tuned the central system to optimise performance. The implementation of this technology, together with the progressive delivery of the GUP, has enabled us to add value to our customers, through enhanced safety, improved travel times and reduced traffic congestion. We will continue to add further value to customers as we

# In 2009/10 we continued to grow our traffic volumes and toll revenue.

complete the installation of Intelligent Transport Systems on our road network, and our new central system's full potential is realised.

The changes brought to our working environment through the implementation of free-flow tolling, together with the approaching sale by the State of its interests in Queensland Motorways, provided the opportunity for the executive team to review the Company's strategic direction. As a result, a new strategic plan was prepared. Over the coming financial year we will focus on a number of key priorities which are linked to five strategic key result areas: operations and project delivery; customer and stakeholder satisfaction; innovation and quality; organisational capability; and financial performance.

Our priorities include reducing traffic congestion on the motorways, increasing road patronage, achieving further operational efficiencies, staff retention, delivering projects on time and on budget, implementing quality systems, enhancing system performance, and improving the customer experience. In particular, completion of the construction phase of the GUP, on budget and ahead of schedule, will be a defining achievement in the year ahead.

The revised strategic plan prompted a review of our organisational structure to ensure we are positioned to continue to deliver, and deliver well. Our goals were to ensure the structure was aligned with our corporate strategy, senior management roles and responsibilities were clearly defined, consistent reporting lines were in place across the business, business improvement and quality was prioritised, and like functions were grouped together to improve efficiency.

The revised structure was implemented in a phased approach and completed over several months. The Company is now structured into five groups—Operations, Corporate, Legal & Board Services, Technology & Development, and the Gateway Upgrade Project.

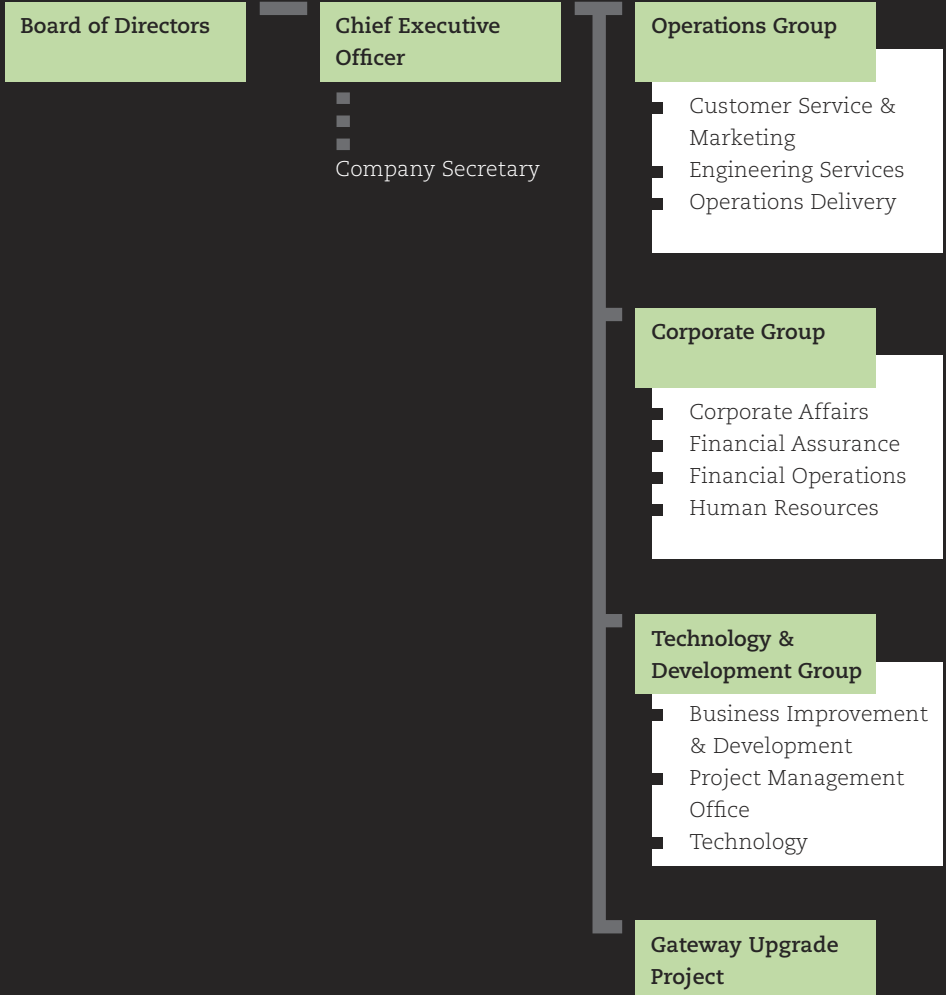
We recognised that retention of our highly skilled workforce would be vital to continuing to deliver on our strategic objectives. This was acknowledged with the approval of a significant learning and development program for employees, as well as negotiation between Queensland Motorways, the State Government and unions this year of a Framework Agreement. The Framework Agreement covers all tenured full-time and part-time employees, long-term casuals and managers on fixed term contracts (excluding executive managers) and provides a range of employment benefits from the date of sale of Queensland Motorways. These benefits include a three-year employment guarantee and protection of accrued entitlements. The Company has subsequently initiated a bargaining process for an Enterprise Agreement with the majority of these employees, involving employee representatives, unions and the State Government.

We continued to value our strategic partnerships and initiated a new partnership with the newly established Smart Transport Research Centre based at the Queensland University of Technology. In doing so, we will remain at the forefront of developing transport technology solutions both nationally and internationally.

In addition, many new initiatives were delivered over the year at an operational level. Further information on these is detailed later in this report.

# Organisational structure

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**Image:** Looking south across the new Sir Leo Hielscher Bridge – South and its pedestrian/cycle path



2010—a challenging and  
successful year.

**Image:** The Sir Leo Hielscher Bridges span the Brisbane River at sunset



Images: (left to right)  
David Gray, Phil Mumford

## Message from the Chairman and CEO

2009/10 was arguably one of the most challenging and satisfying years in the Company's history. Despite global financial uncertainty, Queensland Motorways remained focused on successfully delivering progressive openings on the Gateway Upgrade Project (GUP) ahead of schedule and on budget, a seamless transition to free-flow tolling for motorists, and continuing preparations for the sale of the Company in 2011. In doing so, we enhanced safety, reduced traffic congestion and improved travel times for our much valued customers. These achievements, together with sound financial management and decision-making, have produced strong operational and financial performance and results that we are proud of.

Over the past year traffic volumes on our road network exceeded previous highs, with 79.0 million tolled trips recorded across the entire road network, an increase of 5.5 per cent. Of these, 34.3 million tolled trips were recorded on the Gateway Motorway and 44.7 million were recorded on the Logan and Gateway Extension motorways, increasing net toll revenue by eight per cent to \$199.5 million. Earnings before interest, tax, depreciation and amortisation increased by 5.8 per cent to \$100.1 million. A net operating loss after tax of \$85.2 million was recorded due to increased depreciation expenses associated with the completion of additional stages of the GUP.

In May, we celebrated the GUP's most significant milestone—the completion of the new Sir Leo Hielscher Bridge six months ahead of schedule—with a community day. We were truly delighted to see more than 175,000 people take part in the once in a lifetime opportunity to walk across the new bridge before it opened to traffic. During the celebrations, the Queensland Premier officially named both bridges the 'Sir Leo Hielscher Bridges'. This is a fitting tribute to Sir Leo who served the State for 68 years, and played a key role in securing finance for the construction of both bridges. In June, a pedestrian and cycle path was also opened on the new Sir Leo Hielscher Bridge – South, providing pedestrians with better connectivity north and south of the Brisbane River. Throughout the year we delivered progressive upgrades as part of the GUP, which have added value for our customers through additional capacity, better connections and more reliable travel times. In March the State Government announced an additional \$240 million four kilometre upgrade at the southern end of the GUP, demonstrating the Government's confidence in our ability to deliver major infrastructure projects—on time, on budget and with minimal impact on the public, and increasing the total GUP budget to \$2.12 billion.

Just over 12 months ago we successfully implemented free-flow tolling on our road network. The implementation of the new system required a significant shift in the behaviour of our customers around how they use the motorways and how they pay their tolls. However, customers have embraced the new system, adjusting quickly to the new conditions and payment options. More than 420,000 new **go via** accounts were opened in the past 12 months, almost doubling our account customer base and achieving our business goal.

The benefits of free-flow tolling for our customers are clearly evident. Along with the progressive openings of completed sections on the GUP, free-flow tolling has reduced travel times for motorists by between 10 and 13 minutes during peak travel periods across the network. Vehicle incidents have also decreased by as much as 69 per cent around the toll points.

We were delighted to receive recent industry recognition for our Free-Flow Tolling Project from the International Bridge Tunnel and Turnpike Association (IBTTA) with a Tolling Excellence Award for Technology, as well as an Award for Excellence for our free-flow tolling communication campaign from the Public Relations Institute of Australia. These awards are outstanding achievements for Queensland Motorways and demonstrate the significance of the Project.

Not only has the implementation of new free-flow tolling technology and systems resulted in more efficient tolling operations, it has also positioned Queensland Motorways to deliver further smart transport technology solutions for our customers. The implementation of Intelligent Transport Systems (ITS) on our road network is well underway and will enable us to improve traffic management and ultimately the customer experience. Our commitment to smart transport solutions is reflected in our recently established partnership with the Smart Transport Research Centre based at the Queensland University of Technology. The Centre will focus on multi-modal innovative technology solutions that optimise the performance of urban and regional transport networks. We are very proud to be a part of this initiative which will bring many benefits to the motorists.

In parallel with our planned business activities during the year we also commenced preparations for the sale of Queensland Motorways by the State. We established a Commercialisation Project to oversee 12 work streams and significant progress was made. Most notably, a Framework Agreement with the State Government and unions was successfully negotiated to protect the interests and employment rights of the majority of our staff for three years following the date of sale.

To further capitalise on the benefits delivered by our projects, and to take into account the impacts of preparing for sale, we also completed a review of our strategic direction and implemented a new organisational structure. The new structure is aligned with our corporate strategy, and consistent reporting lines are in place across the business.

We recognise that the heart of our great business is our people and amidst all of the change, one of the standout achievements for the year was the performance of our workforce. As anticipated, staff rose to the challenge of working with new technology, systems and processes. They remained focused on the tasks at hand and delivered strong results. In the coming year we will continue to support our workforce, as the sale of the business draws closer and privatisation becomes a reality.

We would like to take this opportunity to express our gratitude to all members of the Board of Directors and management team for their continued support and stewardship through a year of continuing change. Particularly our thanks go to Mr Luigi Casagrande who retired from the Board of Directors during the year after 15 years of service.

The coming year will be another period of great change as we prepare for sale and continue to position the Company in the smart transport sphere. With change comes opportunity, and we have a firm belief in the ability of Queensland Motorways to embrace and adapt to the changing environment. We look forward to entering a new chapter in the history of the Company.



**David Gray**  
Chairman

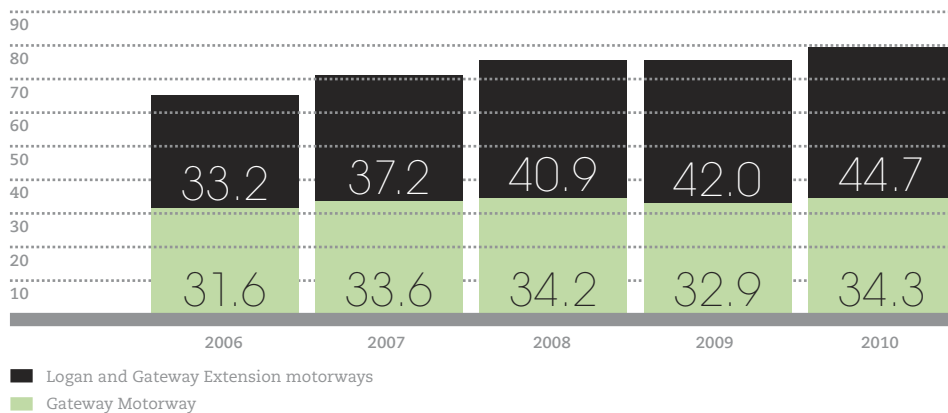


**Phil Mumford**  
Chief Executive

# Financial highlights

		2010	2009	% change
<b>Operating Result</b>				
Toll revenue	\$ million	199.5	184.7	+8.0
Total income	\$ million	222.2	188.9	+17.6
Earnings before interest, tax, depreciation & amortisation	\$ million	110.1	104.1	+5.8
Earnings before interest and tax	\$ million	17.0	55.2	-69.2
Loss after tax	\$ million	(85.2)	(6.8)	
<b>Cash Flow</b>				
Cash flows provided by operating activities	\$ million	(3.3)	53.4	
Capital expenditure	\$ million	502.2	622.5	-19.3
<b>Balance Sheet</b>				
Total assets	\$ million	2,359.9	2,066.2	+14.2
Deficiency in total equity	\$ million	(516.9)	(441.9)	+17.0
Total borrowings	\$ million	2,809.3	2,417.8	+16.2
<b>Ratios</b>				
Operating sales margin	%	7.4	29.0	
Return on total assets	%	0.8	3.1	
Interest cover	Times	1.08	1.68	

Tolled traffic | millions of tolled trips



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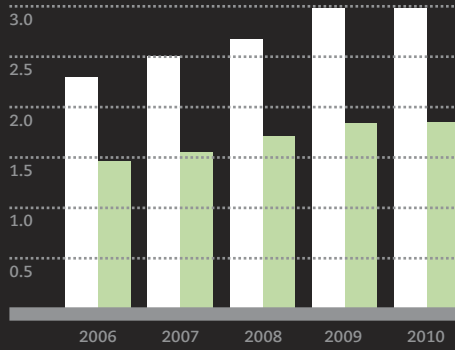
During the year we recorded 79 million tolled trips on our road network, an increase of 5.5 per cent on the previous year. Toll revenue increased by eight per cent to \$199.5 million, and total income increased by 17.6 per cent to \$222.2 million. These results reflect increasing use of toll roads by our **go via** customers as economic conditions improve and completed sections of the Gateway Upgrade Project (GUP) are opened to traffic, the introduction of a new toll collection fee regime with the implementation of full free-flow tolling in July 2009, and an increase in the number of motorists who travel on our roads without making arrangements to pay their tolls (and to whom the majority of these fees are charged).

Earnings before interest, tax, depreciation and amortisation increased by 5.8 per cent to \$110.1 million, as a result of the increasing costs of operating and maintaining our road network and the higher cost of tolling operations in a free-flow environment (including substantial provisions for tolls and fees which we are unable to collect from motorists who make no arrangements to pay). Higher depreciation and amortisation charges (up 90.5 per cent) and interest costs (up 64.7 per cent) following completion of the majority of the GUP resulted in a net operating loss after tax of \$85.2 million.

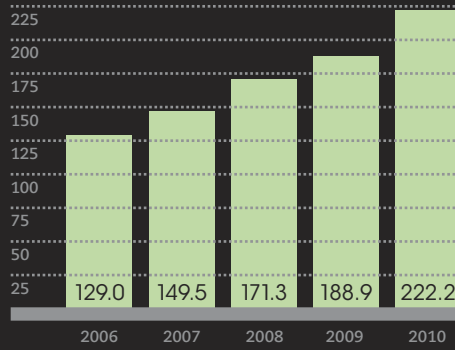
Despite a further \$10.1 million equity contribution from our major shareholder, the loss for the year increased our deficiency in total equity to \$516.9 million at 30 June 2010. Queensland Motorways' road franchise agreement with the State of Queensland remains in place, and the payment of liabilities incurred by Queensland Motorways continues to be guaranteed by the State.

As construction of the GUP continued and the Free-Flow Tolling Project was completed, our borrowings increased by a further 16.2 per cent to \$2.81 billion. We remain committed to pursuing and implementing strategies to manage and mitigate our exposure to interest rate risk in conjunction with the Queensland Treasury Corporation (QTC).

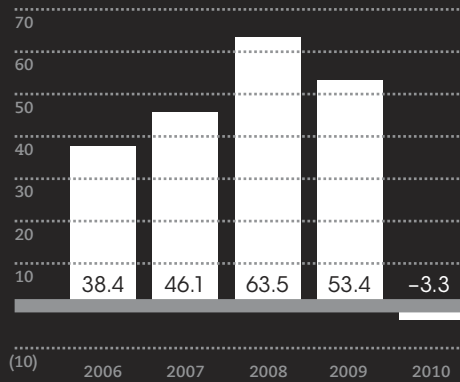
Average net tolls | dollars per vehicle



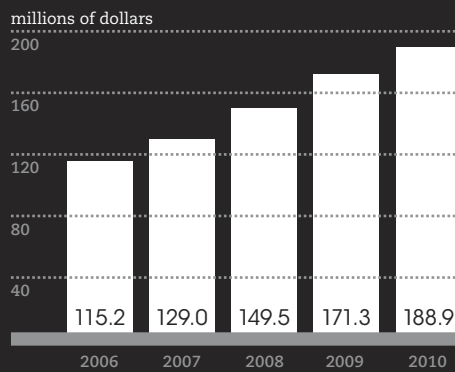
Total income | millions of dollars



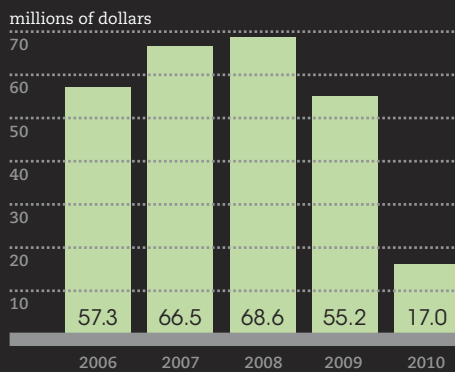
Cash flows from operations | millions of dollars



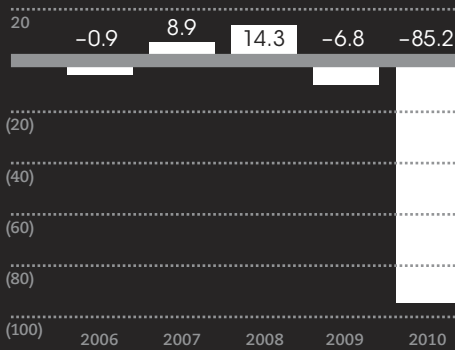
Earnings before interest and tax, depreciation and amortisation |



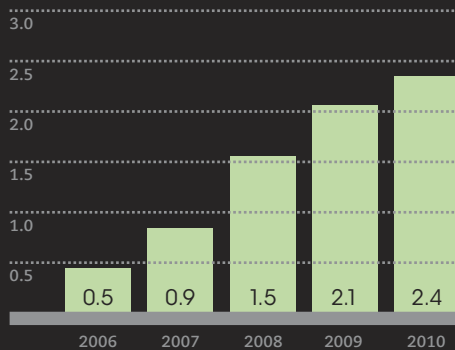
Earnings before interest and tax |



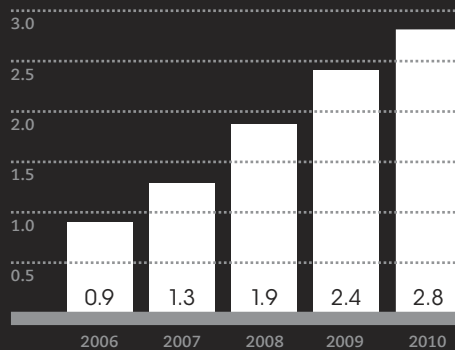
Net profit/(loss) | millions of dollars



Total assets | billions of dollars



Total borrowings | billions of dollars



█ Logan and Gateway Extension motorways  
█ Gateway Motorway

# Queensland Motorways' road network



## Reference

- Owned by Queensland Motorways
- Toll Point
- Queensland Motorways Customer Service Centre
- 1 – Gateway
- 2 – Heathwood

This map is a representation only.

## On/Off ramps

- |                       |                                  |
|-----------------------|----------------------------------|
| Ipswich Mwy           | Compton Rd                       |
| Formation St          | Logan Rd                         |
| Boundary Rd           | Pacific Mwy                      |
| Centenary Hwy         | Miles Platting Rd                |
| Stapylton Rd          | Mt Gravatt-Capalaba Rd           |
| Paradise Rd           | Old Cleveland Rd                 |
| Beaudesert Rd         | Wynnum Rd                        |
| Gateway Extension Mwy | Port of Brisbane Mwy             |
| Wembley Rd            | Lytton Rd                        |
| Kingston Rd           | Southern Cross Way               |
| Loganlea Rd           | Kingsford Smith Dr               |
| Drews Rd              | Airport Interchange [Moreton Dr] |
| Pacific Mwy           | Southern Cross Way               |

# Delivering the Gateway Upgrade Project

The \$2.12 billion Gateway Upgrade Project (GUP) is the largest bridge and road project in Queensland's history. Queensland Motorways is delivering the Project on behalf of the Queensland Government through a design, construct and maintain contract with the Leighton Abigroup Joint Venture (LAJV). Its progressive delivery model has enabled motorists to enjoy the benefits of completed sections of the Project as they are completed.

The Project includes:

- Construction of the new Sir Leo Hielscher Bridge – South, including a dedicated pedestrian and cycle way (completed)\*
- Refurbishment of the original Sir Leo Hielscher Bridge – North (underway)\*
- Upgrade of 16 kilometres of the Gateway Motorway between Lytton Road, Murarrie and the Pacific Motorway, Eight Mile Plains, including construction of additional lanes and reconstruction of existing lanes (partially completed)\*
- An upgrade of the Port of Brisbane Motorway interchange (completed)\*
- Construction of a new seven kilometre motorway north of the Brisbane River to offer a more direct route between the Sir Leo Hielscher Bridges, Brisbane Airport and Nudgee (completed)\*
- Installation of Intelligent Transport System (ITS) technologies to make travel safer and easier for motorists (partially completed)\*
- Maintenance of the GUP for 10 years

\*Refer to page 8 for a map of Queensland Motorways' road network.

In 2009/10, the GUP exceeded all of its stated objectives for the year.

In December 2009 we opened a new Airport Interchange north of the Sir Leo Hielscher Bridges to connect with Brisbane Airport Corporation's new internal access road, Moreton Drive. A new southbound on-ramp from Kingsford Smith Drive to the Gateway Motorway was also opened at this time.

The Project's greatest achievement for the year was the completion and opening of the new Sir Leo Hielscher Bridge – South, in May 2010, six months ahead of schedule. Four



Image: More than 175,000 Queenslanders celebrated the completion of the new Sir Leo Hielscher Bridge – South in May

# 8,876,120 hours of work were completed on the Project as at 30 June 2010.

southbound lanes were initially opened in May, with the remaining two lanes opening in August once the approach works to the bridge at either end were completed.

In June the \$36 million pedestrian and cycle path on the new Sir Leo Hielscher Bridge was completed and opened to the public, 12 kilometres of upgrades from the Port of Brisbane Motorway to Mt Gravatt-Capalaba Road were progressively opened, and a new southbound off-ramp to the Port of Brisbane Motorway was completed and opened.

By late August 2010, refurbishment of the three eastern lanes of the Sir Leo Hielscher Bridge – North (the original Gateway Bridge) was substantially completed and work commenced on the remaining three western lanes.

In March 2010 the State Government announced an increase in the scope of the GUP to include an additional \$240 million four kilometre upgrade from Mt Gravatt-Capalaba Road to the Pacific Motorway (GUP Southern Extension). Work commenced immediately by the LAJV and is expected to be completed by mid-2011.

Throughout the year ITS infrastructure was installed across the GUP, including 10 variable message signs, 80 closed circuit TV sites, 200 electronic speed signs and 900 vehicle detector loops. ITS will improve our assessment of traffic conditions and enhance communication with motorists and, ultimately, traffic flow.

Effective community relations and a safe working environment once again remained high priorities during the year. The Project strengthened relationships with key stakeholders and ensured construction milestones were communicated regularly, whilst the GUP Safety Management Plan was updated to increase focus on a safe working culture.

## **The coming year**

By late-2010 refurbishment of the original Sir Leo Hielscher Bridge will be completed, marking the completion of the construction phase of the original scope of the GUP—seven months ahead of schedule. A recreational park facility known as Queensport Rocks Park, underneath the southern end of the Sir Leo Hielscher Bridges, will be completed and opened at that time. By mid-2011 the construction phase of the GUP Southern Extension will also be completed, marking construction completion of Queensland's largest ever road and bridge project.

Critical tasks in the coming year will include defining GUP assets for the Queensland Motorways sale process and successfully integrating GUP assets, knowledge and records into Queensland Motorways' Operations Group. In addition, the Queensland Motorways/ GUP delivery system will be reviewed and updated to establish processes for future management of design and construction works, and a systematic approach for managing maintenance work (10 years) under the project deed with LAJV will be established.

# Operations report

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In 2009/10 the Operations Group was formed following the organisation's restructure. Reporting to the Chief Operating Officer, the Group comprises the newly formed Customer Service & Marketing, Engineering Services and Operations Delivery divisions. Over the past year the Group has focused on ensuring our roads are well maintained, monitoring network traffic, managing on-road incidents efficiently, enhancing safety on our network, consolidating, refining and embedding new tolling systems and processes following the successful transition to free-flow tolling, promoting new **go via** toll payment options and channels, and continually improving customer service. Central to this was the desire to improve our core business functions and operations to enhance value for our customers and stakeholders both on and off the road.

Throughout the year the Engineering Services Division focused on road asset planning and maintenance, including preliminary work towards a Strategic Asset Management Plan, implementation of the Logan and Gateway Maintenance Alliance to manage a five-year maintenance program on the Logan and Gateway Extension motorways, and the monitoring of and response to incidents on our road network.

In addition, designs for rehabilitation works on the westbound lanes of the Logan Motorway from Oxley Creek to the western end of the motorway were completed, and noise modelling was carried out on the western end of the network between Ellen Grove (formerly Carole Park) and Forest Lake\*. The 10 year noise model provides Queensland Motorways with the information necessary to implement any noise mitigation and management initiatives required. Road safety audits, focusing on specific impact areas, were also carried out and work is now progressing to develop an action plan to enhance safety for motorists at these locations.

The successful transition to free-flow tolling placed increased demand on the Customer Service & Marketing and Operations Delivery divisions, particularly in the areas of customer service, collections, image review, tag management and distribution. Through effective team leadership and the ongoing commitment of staff, the Operations Delivery and Customer Service teams continued the seamless migration of cash paying customers to the new system, managing a significant increase in customer demand. During the year back office operating processes and procedures were continuously reviewed and staff trained and upskilled to ensure the full benefits and potential of the systems were realised and services were provided efficiently.

\*Refer to page 8 for a map of Queensland Motorways' road network.



We managed more than two million customer calls in the Customer Contact Centre—far exceeding previous records.

Image: 424,000 new go via accounts were opened by our customers during the year

# 617,000 go viatags were issued to our account customers.

The introduction of free-flow tolling generated increased customer enquiries and interaction. During the year Queensland Motorways managed more than two million calls from customers, an increase of 277 per cent on the previous year, and issued more than 617,000 **go viatags**, an increase of nearly 70 per cent. The number of tags on issue increased to 1.2 million. More than 424,000 former cash paying customers opened a **go via** account (tag or video) and 85 per cent of all toll transactions and payments were billed through an account, surpassing our business goal.

To further improve the experience for our infrequent customers and facilitate seamless travel for visitors on Brisbane toll roads, including the Clem 7 Tunnel and Go Between Bridge, Queensland Motorways introduced the **go via** road pass, an interoperable pass that can be used on all Queensland toll roads.

Following market research conducted during the year, the Group established a project to further enhance customers' online experience through improvements to the **go via** website. A comprehensive review of toll payment options, including a full cost benefit analysis of payment options and channels, was also undertaken to ensure these offerings met the needs of customers and the business. Following the completion of the review a refined product portfolio was implemented, with early research showing a positive customer response.

Our mobile customer service centre—the Cruiser—was decommissioned shortly after the end of the year following four years of service to the community. Since the launch of free-flow tolling, there has been a substantial rise in the number of customers using self service channels such as our **go via** website to transact and automatically top up their account. We also introduced around 625 participating **go via** retailers which offer customers a convenient point to manually top up their accounts and purchase toll passes. Furthermore, with the implementation of free-flow tolling now completed and the Gateway Upgrade Project (GUP) coming to a close, there was no longer the need for the Cruiser to provide information on these projects to the public.

## **Building on achievements**

In 2010/11 the Operations Group will continue to focus on streamlining processes and initiatives to further enhance customer value and prepare for the sale of the Company.

Road network activity will focus on reviewing incident response efficiency and effectiveness, supporting and facilitating the implementation of Intelligent Transport Systems on the Gateway, Logan and Gateway Extension motorways, and supporting the delivery of the GUP and Logan and Gateway Extension motorways corridor planning. Further work will be carried out to finalise strategic asset management planning and the pavement rehabilitation program, whilst monitoring the Logan and Gateway Motorway Maintenance Alliance and transitioning asset management and maintenance from the GUP into operations. An environmental management framework, policies, strategies and processes will also be developed to better control and manage our environmental footprint.

In line with our corporate strategy and divisional plans, further improvements identified from a website usability study will be made to the **go via** website and the Interactive Voice Recognition (IVR) system. The **go via** product portfolio and channel offerings will be further refined to optimise the efficiency and usability of the self-service channels for our customers.

Further review and assessment of manual processes and procedures in the tag management and image review areas will also be undertaken to achieve greater operational efficiency.

# Corporate report

The Corporate Group comprises the Financial Operations, Financial Assurance, Human Resources (HR) and Corporate Affairs divisions, and reports to the Chief Financial Officer. These functional areas were grouped together as key support service areas for the business as part of this year's organisation restructure. The corporate communications function of the previous Marketing & Communication Division was separated to create the Corporate Affairs Division.

2009/10 was a challenging year for the Corporate Group as the Company managed the transition to free-flow tolling, revised its organisation structure and prepared for the sale of Queensland Motorways. The HR and Corporate Affairs teams worked closely during the year to deliver support and communications to management and staff related to these events and milestones.

One of the significant achievements this year was gaining in-principle agreement with the State Government and unions on the Queensland Motorways Management Framework Agreement. When it comes into effect it will give the majority of employees a three year employment guarantee, as well as protection of their current entitlements, from the date of the Company's sale. Negotiations subsequently commenced on an Enterprise Agreement. The HR and Corporate Affairs teams worked closely to ensure timely and accurate communications were delivered to all staff through this process and this will continue to be a high priority in the coming months.

During the year a Commercialisation Project was established within the Group to oversee preparations for the sale process. Twelve work streams were developed, including Legal and Contractual, Motorway Upgrades, Traffic and Tolling, Employee Relations, Communications, Workforce and Organisational Development, Financial/Cost Analysis, Internal Commercialisation, Valuation, Sale Preparation, Port of Brisbane Motorway and Asset Management. Significant progress was made within each of the work streams. The Financial Operations Division worked closely with the Commercialisation Project team regarding requirements for the sale process, including developing complex financial modelling tools.

The year was a busy one for the Financial Operations team starting with the implementation of the new tolling system in conjunction with the Free-Flow Tolling Project team. This included establishment of the internal control environment and associated finance procedures to support the new financial and tolling system. The team also developed

an advanced traffic forecasting model for traffic and revenue projections, completed an intensive internal audit program including reviews of the new tolling system post-implementation, IT/network security, revenue recognition and tax process and compliance, and managed the finances associated with the Gateway Upgrade Project (GUP), including cost control, debt management, and associated management reporting.

In addition to the major activities outlined earlier, the HR team worked with our leaders to further develop, enhance and empower them to ensure they are equipped with the skills required to support their staff. A leadership capabilities program to underpin ongoing development activities for managers and leaders was finalised and our Respectful Effective Accountable Leadership (REAL) Program was re-launched to further strengthen leadership skills within the Company. Staff were also provided with ongoing training, education and regular communication to ensure they were supported through the transition. Industrial relations and employee relations outcomes associated with the application of the *Fair Work Act 2009* earlier in the year were reviewed and actioned into our HR practices. Also ensuring a safe work environment, with a goal of zero harm, remained a high priority.

During the year we recorded a 19.5 per cent reduction in Work Cover claims and associated costs. Additionally, the Lost Time Injury Frequency Rate improved from 9.1 in 2008/09 to 8.0 lost time injuries per million hours worked in 2009/10 (including seven months with no lost time injuries). We will continue to work closely with high-risk areas of the business to raise awareness and ensure practical and instruction risk management practices are in place.

Delivery of effective internal communications was a high priority for the Corporate Affairs team during the year. A comprehensive internal communication survey of all staff was conducted, followed by a series of focus groups across divisions, to understand communication requirements and preferences. The results were then used to develop targeted communication initiatives to ensure staff were informed in a timely manner using effective channels. Extensive internal communications relating to free-flow tolling, corporate strategy, organisation structure, corporate plan, Framework Agreement and **go via** payment options and channels were delivered to staff during the year. A new Intranet was also implemented during the year to improve communications delivery within the Company.

External communications focused on promoting the benefits of free-flow tolling and the **go via** payment system, the progressive delivery of the GUP, and changes to road conditions due to maintenance works and implementation of new infrastructure. All projects impacting on motorists and network neighbours incorporated a community relations plan prior to their implementation.

Recently Queensland Motorways was recognised for its successful free-flow tolling communications campaign with a Public Relations Institute of Australia Award for Excellence.

#### **Building on our achievements**

In the coming year the Corporate Group will continue to work in close partnership with the Commercialisation Project team to support the sale of Queensland Motorways, whilst delivering on each division's operational plans. A major focus for the Group will be supporting the sale as we move from the preparation phase into the due diligence and sale documentation exercises to which the Group will be a major contributor. The Group will work in partnership with internal business areas to provide timely advice and support, support the transition of knowledge from the GUP into the business, position the Company as an industry leader, deliver training initiatives and promote staff retention, and support the retention and growth of patronage on the Queensland Motorways road network.

Image: The Gateway Motorway carries more than 100,000 vehicles each day



# Technology & Development report

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Following the completion of the Free-Flow Tolling Project and as part of the Company's organisation restructure, the Technology & Development Group was established. The Group comprises the Technology Division (formerly the Information Services & Technology Division), Business Improvement & Development Division and Project Management Office (PMO), reporting to the Chief Information Officer.

The Business Improvement & Development Division and PMO are new functional divisions and were established to support continuous business improvement, drive quality and efficiency, and provide a formal framework for delivering major business improvement initiatives.

Following the establishment of the PMO, tools and processes for staff were developed and refined for use in implementing projects across the business. An overarching project management framework was also implemented to ensure that all new projects and initiatives are delivered using best practice project management processes.

During the year the PMO delivered the Classification Alignment Project, following the State Government's decision to align our tolling classes with those of other Brisbane toll road operators from 1 July 2010. Delivered in unison with annual toll changes, the transition was delivered seamlessly. The PMO also commenced the implementation of Intelligent Transport Systems (ITS) on the Logan and Gateway Extension motorways under an Early Contractor Involvement model with the implementation expected to be complete before the end of 2011. The PMO worked with the Gateway Upgrade Project team to commission ITS on the Gateway Motorway, including variable speed limit signs, variable message signs, vehicle detector loops, CCTV, weigh-in-motion loops, help phones and ramp metering systems.

The implementation of ITS technology on the Queensland Motorways road network will enable Queensland Motorways to collect real-time traffic and incident information to achieve efficient operation of our networks and reduce congestion. This information will then be used to provide improved traveller information and enable motorists to make better informed travel decisions. An upgrade to meet changed requirements under the national interoperability Memorandum of Understanding (the agreement between toll road operators and tag/pass issuers) is being delivered over three stages by the PMO and will also improve the staff intensive image review process. During the year the first two stages were implemented, and the third stage is underway.

# We developed a Project Management Framework covering the full project life cycle from concept to delivery.

Following the transition to free-flow tolling in July 2009, extensive training and knowledge transfer programs were implemented to ensure Technology Division staff were able to support the new roadside and central systems which had been delivered by the Free-Flow Tolling Project. The Group continued to work with the business and technical teams throughout the year to scope, design, build and test further enhancements to the new systems.

The Technology Division continued to protect, manage and maintain Queensland Motorways' systems and infrastructure. The team ensured that the supply and maintenance of systems and services met established Service Level Agreements and quality technical expertise and resources supported project delivery and testing.

Additionally, the Technology team continued refining general technology operations governance, processes and procedures. An external disaster recovery site was commissioned to house failover systems developed as part of the Free-Flow Tolling Project delivery. This has significantly increased our capability to recover systems in a disaster scenario.

A new Technology Policy Framework was designed and associated policies and procedures were rolled out to the business.

## **Building on our achievements**

The coming year will be an exciting one for the Technology & Development Group. The Group will focus on optimising and enhancing systems and business processes to achieve further efficiencies and operational excellence. This includes continuing to develop and implement the Technical Disaster Recovery Plan in alignment with our Business Continuity Plan.

Additionally, the Group will continue to support the delivery of projects, including ITS projects on the Gateway, Logan and Gateway Extension motorways, the implementation of a company wide document management system, final implementation of an Enterprise Architecture framework and refinement of the associated documentation around each set of systems and processes.

During the year the PMO will also oversee the implementation of a new Asset Management Information System which will improve the recording of all our road and infrastructure and technology assets.

We successfully implemented the State Government's decision to change our vehicle class and toll price structures.

**Image:** Motorists enjoying the free-flowing tolling environment at Kuraby Toll Point on Gateway Extension Motorway



# Environment, stakeholder and community report

Preserving and enhancing the natural environment in which we operate is important to Queensland Motorways. In 2009/10 Queensland Motorways invested significant effort in measuring and minimising its footprint. For the first time Queensland Motorways conducted a Carbon Inventory Study to better understand and monitor the Company's energy use and impact. The study provided Queensland Motorways with invaluable information to set benchmarks and targets for energy reduction in the coming years.

On the Gateway Upgrade Project (GUP), Queensland Motorways and the Leighton Abigroup Joint Venture (LAJV), also embarked on the following initiatives to minimise impacts and mitigate any environmental issues in the future:

- Re-colonising mangrove communities on the northern section of the GUP in areas such as the Kedron Brook Floodway, Schultz Canal, the new Airport Interchange and Banyo<sup>1</sup>
- Completing three fauna underpasses and installing of 18 kilometres of fauna fencing along the southern section of the Gateway Motorway
- Establishing a two-year fauna monitoring program in partnership with Griffith University, to determine the effectiveness of the three dedicated fauna underpasses installed as part of the GUP
- Working closely with a local environmental group the Bulimba Creek Catchment Coordination Committee Inc (B4C), to successfully propagate an endangered native plant species—*Zieria furfuracea subsp. Gymnocarpa*—which was planted along the GUP corridor in November 2009
- Commencing monitoring of the *Gymnocarpa* during the maintenance phase of the GUP to ensure its establishment, survival and sustainability
- Gaining appropriate environmental approvals for construction of the GUP Southern Extension
- Installing 48 sediment basins (in the north and south of the Project) to capture and treat surface water run-off from the road pavements
- Installing five kilometres of noise barriers along the Gateway Motorway
- Continuing noise, dust, water surface quality monitoring and vibration monitoring, and implementing mitigation measures during road works as required

<sup>1</sup>Refer to page 8 for a map of Queensland Motorways' road network.

**Image:** The GUP team worked closely with the Bulimba Creek Catchment Coordination Committee (B4C) to identify and propagate an endangered native plant species to be planted along the Gateway Motorway



- Planting 624,000 trees and shrubs between Mt Gravatt-Capalaba Road and the Port of Brisbane Motorway\* and 652,000 feature trees, shrubs, seedlings and native grasses along the seven kilometres of new Gateway Motorway, as well as more than 29,000 feature trees, shrubs and almost one hectare of native grass in the new Queensport Rocks Park.

### **Building on our achievements**

As works continue on the GUP Southern Extension to upgrade the last remaining four lane section on the Gateway Motorway south of the Brisbane River, environmental initiatives along this section have commenced and will continue in 2010/11. These include construction of a dedicated fauna underpass and fauna fencing, rehabilitation works at the Mt Gravatt-Capalaba Road on and off-ramps\* and installation of noise barriers along the western side of the Gateway Motorway.

The Project team will also focus on reinstating the water courses at Kedron Brook, the Brisbane River and Bulimba Creek. Additionally, all rehabilitated and revegetated areas will be regularly monitored during the maintenance phase.

Queensland Motorways will also work hard to ensure our business and operations are sustainable and future focused. Key to achieving this will be the delivery of an environmental management framework, policies, strategies and processes which will advance our current environmental management practices.

### **Our stakeholders**

Queensland Motorways recognises the importance of communicating, engaging and listening to our neighbours, the community and other stakeholders. We believe it is vital to provide accessible and knowledgeable consultation teams to establish and foster open and mutually beneficial relationships with stakeholders.

During the year our stakeholder relations and community engagement initiatives focused on the work of the GUP, the finalisation of the Logan Alliance project and establishment of the Logan and Gateway Maintenance Alliance and the Logan and Gateway Extension ITS project. Key achievements included:

- Distributing two GUP community newsletters and more than 611,000 communication items (regular construction updates, traffic updates and alerts and community notices)
- Holding 17 meetings with the GUP's two community liaison groups, three special interest groups and one agency reference group, which gave group members the opportunity to share their views and provide input regarding various aspects of the project delivery
- More than 2,600 people visiting the GUP Community Information Centre
- Establishing a comprehensive community relations and consultation plan for the Logan and Gateway Maintenance Alliance works to ensure that residents and businesses along the road corridor are kept informed on progress and upcoming works and their impacts
- Conducting briefings with key industry stakeholders including the RACQ and Queensland Trucking Association to ensure they remain informed about key operational initiatives and the progress of our infrastructure projects
- Progressing the establishment of a stakeholder and community relations plan for the Logan and Gateway Extension ITS Project

### **Our community**

At Queensland Motorways we support programs, events and charities which benefit the local community in which we operate. We strongly encourage staff to participate and be involved in community initiatives.

\*Refer to page 8 for a map of Queensland Motorways' road network.

To celebrate the opening of the new Sir Leo Hielscher Bridge – South, Queensland Motorways held a community day full of celebration, community, colour, art and activity. The event provided Queenslanders with the only opportunity to walk across the bridge before it opened to traffic. On the day both the new and original bridges were officially named to honour Sir Leo Hielscher and his 68 years of public service to the Queensland people. Free entertainment was enjoyed throughout the day. The event was an overwhelming success with more than 175,000 people joining in the festivities and walking across the new bridge. The event also raised money for the Tour de Cure, Variety Queensland and Rotary, as well as a range of local community groups.

In 2009/10 Queensland Motorways also continued to support the iconic Bridge to Brisbane community fun run. Queensland Motorways has proudly supported this event since its inception in 1997 and today it is one of the State's most anticipated events. More than 45,000 Queenslanders participated, including 50 Queensland Motorways staff, family and friends. All proceeds from the event were donated to the Heart Foundation.

Queensland Motorways' annual Charity Golf Classic raised more than \$17,000 for the Cerebral Palsy League. The day also provided Queensland Motorways with the opportunity to celebrate the achievements of the past year with our stakeholders in a relaxed environment.

Some of the other charities we supported during the year included the Children's Medical Research Institute, the Special Children's Christmas Party, the B105 Christmas Appeal, Phantast, SIDS, the Leukaemia Foundation and the Pyjama Foundation.



Images: (left to right)  
David Gray, Robert Grice

## Board of Directors

**David M. Gray** | BSc, AICD, FRAS, HonDPhil  
Chairman

Appointed a Director in 2007, David is a member of the Nomination/Remuneration and Audit & Risk Management Committees. He is Chairman of WaterSecure, Deputy Chairman of the Civil Aviation Safety Authority, a Director of Brisbane Airport Corporation Pty Limited and holds a number of other board and advisory board positions, both in industry and academia. David is a former Managing Director of Boeing Australia, has held senior executive positions with GEC Heavy Engineering, Exicom and GEC Marconi, and was awarded the Centenary Medal in 2003 for his services to the Australian aviation industry.

**Robert A. Grice AO** | FCA, FAICD, HonDPhil  
Deputy Chairman

Appointed a Director in 2001, Bob is Chair of the Audit & Risk Management Committee and a member of the Budget and Business & Development Committees. He is a former senior partner and current consultant to KPMG. Bob is also a former Chairman of South-East Queensland Water Corporation Limited and a former National President of the Institute of Chartered Accountants in Australia, and currently serves on the Institute's Members Advisory Group.

**Catherine A. Ford** | Grad Dip Comp Sc, BSc (Hons), MAICD  
Non-Executive Director

Appointed a Director in 2005, Catherine is Chair of the Business & Development Committee and a member of the Audit & Risk Management Committee. She is a principal consultant who specialises in business transformation, from setting the broad strategic direction through to optimising business processes and leveraging the best use of technology. Catherine's experience includes executive positions within professional service firms and project management, strategic planning and process re-engineering, during a career that has spanned both the private and public sectors, in information technology and management roles. She is currently Chair of the Queensland ICT Industry Development Workgroup.

**Dr Peter J. Lynch** | BCom, MBA (Adv), PhD  
Non-Executive Director

Appointed a Director in 2005, Peter is Chair of the Nomination/Remuneration Committee and a member of the Budget and Business & Development Committees. He is a Director of Tourism Queensland and KM Smith Funeral Directors, and the founding principal of dci lyncon, a consultancy for professional firm direction and improvement. Peter has a strong multidisciplinary background in commerce, as a business owner, and as a practising professional, and has held a number of senior roles in industry, including President of the Housing Industry Association, Chair of the Queensland Property Council and Director of the UQ Business School MBA Program.

**Don J. Muir** | BE (Civil), FIEAust, RPEQ, GAICD  
Non-Executive Director

Appointed a Director in 2005, Don is Chair of the Budget Committee and a member of the Gateway Upgrade Project Committee. He is a former Deputy Director-General of the Queensland Department of Main Roads, Regional Executive Director (Central Queensland) of Queensland Transport and Director of the Gladstone Port Authority, and is a former member of the Board of Professional Engineers Queensland and the Queensland Division Committee of Engineers Australia. Don has more than 40 years experience as an engineer, manager and executive in the public sector.



Images: (left to right) Catherine Ford, Peter Lynch, Don Muir, Ian Munro, Alan Tesch, Robert Wensley

**Ian K. Munro** | BSc, BCom, MAICD  
Non-Executive Director

Appointed a Director in 2007, following previous service as an Alternate Director from 2006, Ian is a member of the Gateway Upgrade Project Committee and Assistant Under Treasurer at Queensland Treasury. He has some 20 years experience in Treasury's commercial/risk management area and has held a number of senior management and executive positions with Queensland Treasury and the private sector. Ian is the sole director of Queensland Lottery Corporation Pty Ltd.

**Alan B. Tesch** | BEcon (Hons), MAICD, FAIM, CompIEAust  
Non-Executive Director

Appointed a Director in 2005, Alan is a member of the Audit & Risk Management and Business & Development Committees, and Associate Director-General of the Queensland Department of Transport & Main Roads. He has more than 25 years experience across the Queensland public sector, focussing on strategic policy development, implementation, and service delivery. Alan is a former Director-General of the Queensland Department of Main Roads, Deputy Director-General of Queensland Transport and Assistant Under Treasurer of Queensland Treasury, and holds a number of Board positions and company directorships including the Queensland Rural Adjustment Authority, Austroads, Roads Australia, ARRB Group and CEDA.

**Robert N. Wensley QC** | BE (Chem) (Hons), MEngSc, LLB (Hons), Hon LLD (Qld)  
Non-Executive Director

Appointed a Director in 2005, Robert is Chair of the Gateway Upgrade Project Committee and a member of the Nomination/Remuneration Committee. A Brisbane barrister, he specialises in commercial litigation, arbitration and mediation, with emphasis on building, construction, engineering and technology-related disputes, acting both as counsel and arbitrator, mediator, appraiser or court-appointed referee on a regular basis. Robert is a former member of the Senate and former Deputy Chancellor of the University of Queensland, has served as an acting judge, and is a former member and chairperson of the Queensland Building Tribunal.

**Mr Luigi Casagrande OAM**

Retired as a Director in June 2010, having been a member of the Board since 1995.

# Corporate management

**Phil Mumford** | BBus (Accountancy), GAICD  
Chief Executive Officer

Phil joined Queensland Motorways as Chief Executive Officer in 2004. He plays a pivotal role in providing strategic direction on Queensland Motorways' landmark projects, including the \$2.12 billion Gateway Upgrade Project and the introduction of free-flow tolling. Phil leads the Company's commitment to delivering the highest level of customer service to the users of Queensland Motorways' road network and drives high level stakeholder relations and management initiatives. Phil has a strong financial background, extensive experience in consolidating organisations and has held a number of senior positions in the private and public sectors.

**Jeremy Turner** | MBus, ASA, FAICD  
Chief Financial Officer

Jeremy was appointed Chief Financial Officer in 2005. He is responsible for all aspects of Queensland Motorways' financial operations including statutory reporting and compliance, management accounting and reporting, liability management and budgeting, and provides leadership to the Human Resources and Corporate Affairs teams. With more than 20 years experience within the financial industry, Jeremy is a Director of Swimming Australia Limited, a former Chief Executive Officer and Chief Financial Officer of Queensland Racing and a former Director of the Australian Racing Board. Jeremy has also held a range of senior finance and strategic planning roles during more than 15 years in the Commonwealth Public Service.

**Mark McKeon** | BSc (Hons), CA (Australia), ACA (England and Wales), FAICD  
Company Secretary

Mark was appointed to the position of Company Secretary in 2005. In this role, Mark provides support to the Company's Board of Directors while also providing leadership in the area of corporate governance across Queensland Motorways. He has more than 15 years experience as a company secretary, having previously served in this role with the Gladstone Area Water Board and the listed QCT Resources Limited Group. Mark has also held senior audit, accounting, finance and strategic planning positions in the private and public sectors in Australia and the United Kingdom.



Images: (left to right): Phil Mumford, Jeremy Turner, Mark McKeon, Louise Rusan, Sue Caelers, David Wright

**Louise Rusan** | BBus, GAICD

**Chief Operating Officer**

Louise was appointed Queensland Motorways' first Chief Operating Officer in June 2009. She is responsible for helping to leverage Queensland Motorways' recent investment in technology and services to best meet the needs of Queensland Motorways' customers while also ensuring we maintain our focus on the long-term strategy of developing and operating high quality, free-flowing motorways. Louise drives operational consistency across Queensland Motorways and helps improve its ability to deliver the best results for our customers and shareholders. Louise brings to the role over 20 years experience in a diverse range of private sector industries including insurance, construction, tourism, and corporate communication. Her extensive management experience supports her ability to work in partnership with our employees, customers and other stakeholders to deliver quality outcomes.

**Sue Caelers** | MinfTech, BEd, MACS, GAICD

**Chief Information Officer**

Sue joined Queensland Motorways in 2005 as General Manager of the Information Systems & Technology Division to lead the delivery of strategic technical initiatives to enhance efficiencies and improve customer service levels. In 2007, Sue was appointed to the role of Project Director to lead the company's Free-Flow Tolling Project. Sue is now taking up the challenge as Chief Information Officer heading up the Technology & Development Group which includes the Project Management Office, the Technology division and the Business Improvement & Development division. With more than 15 years experience in the business and technology sectors, Sue has held a variety of strategic management, technical and project delivery roles in a number of different industries both in Australia and overseas, including education, tolling, legal and horse-racing industry regulation.

**David Wright** | BE (Civil)

**General Manager, Gateway Upgrade Project**

David was seconded to Queensland Motorways from the Department of Main Roads in 2005 to manage Queensland Motorways' procurement and delivery of the \$2.12 billion Gateway Upgrade Project. His initial involvement in the project commenced with the preparation of the Business Case for the Department of Main Roads from 2003. David has 37 years experience in the planning, design, construction, maintenance and project management of many major transport infrastructure projects across south-east Queensland.

# Corporate governance

## **The Company's Owners**

Queensland Motorways Limited is an unlisted public company incorporated in Queensland under the *Corporations Act 2001*. The State of Queensland is the sole beneficiary of the trusts under which all shares issued by the Company are held. The Associate Director-General of the Queensland Department of Transport & Main Roads, Transport Holdings Queensland Pty Ltd and Queensland Treasury Holdings Pty Ltd hold the legal interests in these shares.

## **Board of Directors**

### **Role of the Board**

The Board is responsible for the overall corporate governance of the Consolidated Entity, including setting the Consolidated Entity's strategic direction, establishing goals for management and monitoring the achievement of those goals, appointing, removing, reviewing performance and setting remuneration for Directors and senior executives, ensuring the integrity of internal control and management information systems and approving and monitoring financial and other reporting.

The Board operates in accordance with documented corporate governance policies, which were reviewed and refined during the year. These policies include a code of conduct for Directors, and processes and reporting mechanisms to ensure transparency, probity and accountability in decision making.

One of the foundations of the Consolidated Entity's corporate governance framework is clarity and understanding by the Board and management of their respective roles. This is achieved through the Company's authorities and delegations policy that sets out matters reserved for the Board and the matters delegated to the Chief Executive, and through Committee Charters, which identify matters delegated to the Committees. The authorities and delegations policy is reviewed annually by the Board. Responsibility for the management of the Consolidated Entity's business activities is delegated to the Chief Executive, who is accountable and reports to the Board.

### **Composition of the Board**

The Board currently comprises eight Directors, all of whom (including the Chairman) are non-executive Directors. Details of Directors of the Company in office at the date of this report are set out on pages 25 to 27 of the Annual Report. Directors are initially appointed by the Board at the request of the shareholders and following recommendation by the Board's Nomination/Remuneration Committee. Directors are not appointed for fixed terms but are subject to retirement by rotation. One third of the Directors retire at each Annual General Meeting and may, if eligible, offer themselves for re-election by the shareholders.

### **Board processes**

The Board has established a number of Board Committees to assist in the execution of its responsibilities, the Nomination/Remuneration Committee, Audit & Risk Management Committee, Budget Committee, Business & Development Committee, and Gateway Upgrade Project Committee. The Business Sale Committee and Free-Flow Tolling Project Committee were wound up during the 2009/10 financial year. The Committees have formal charters, which are approved by the Board and reviewed on a regular basis. The Board has also established a framework for the management of the Consolidated Entity, including appropriate ethical standards, an overall framework of internal control, a business risk management process and processes to ensure the Consolidated Entity is resourced with people with the appropriate level of skill and experience, and relationships with all external stakeholders are properly managed.

The Board currently holds 11 scheduled meetings each year, plus strategy meetings and additional meetings as required to address particular matters that arise. The Chairman sets the agenda for each meeting in conjunction with the Chief Executive and Company Secretary. The Board works to an annual Board calendar, which sets out the standing agenda items, including the approval of strategy, the Corporate Plan, Annual Performance Plan and budget, assessing the performance of the Board and Chief Executive, reviewing governance, risk and compliance issues, undertaking recurring statutory obligations and monitoring the Consolidated Entity's performance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

#### **Director education**

The Company has a comprehensive Director induction program in place that involves the provision of framework agreements, strategic plans, budgets and other key documents, together with site visits and briefings by senior executives and other key personnel. The induction is modified, as required, to ensure that it is appropriate for each new Director's qualifications and experience.

#### **Independent professional advice and access to Company information**

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. Advice received by a Director is made available to all other Directors.

#### **Directors' Remuneration**

Fees payable to Directors for serving on the Board and its committees are determined by the Nomination/Remuneration Committee, within limits set by the Queensland Government and advised by the Associate Director-General of the Department of Transport & Main Roads.

#### **Board Committees**

The Committees established by the Board assist it to discharge its responsibilities. All of the Committees have at least three Directors as members, one of those members being elected by the Board as Chair of the Committee. They provide a forum for management and the Committee's members to focus attention on specified activities that fall within their terms of reference. The roles of the Committees are summarised below:

##### **Nomination/Remuneration Committee**

The Nomination/Remuneration Committee comprises Dr Peter Lynch (Chair) and Messrs David Gray and Robert Wensley. The Nomination/Remuneration Committee is charged with reviewing and recommending the appointment of new Directors to the Board and, in conjunction with the Chief Executive, the appointment of senior executives. The Committee also reviews and makes recommendations to the Board on remuneration packages and policies applicable to Directors and other senior executives and on other human resources and employment issues.

The principal issues discussed by the Committee during the year were workplace health and safety strategies, the impacts of the Government's decision to sell the State's interests in Queensland Motorways on employees and resourcing (including the negotiation of a Framework Agreement with the Government and interested trades unions, and impacts on future Enterprise Agreements and strategies for employee retention and remuneration), organisational change, the introduction of the *Fair Work Act 2009* (including impacts on employee contracts), and reviews of the Consolidated Entity's human resources policies.

#### Audit & Risk Management Committee

The members of the Audit & Risk Management Committee are Mr Bob Grice (Chair), Ms Catherine Ford and Messrs David Gray and Alan Tesch. The Chief Executive, other senior executives, external auditors and internal auditors are invited to attend Audit & Risk Management Committee meetings at the discretion of the Committee. The role of the Audit & Risk Management Committee is to advise on the establishment and maintenance of an appropriate framework of internal control and business risk management process and appropriate ethical standards for the management of the Consolidated Entity. It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial statements.

The responsibilities of the Audit & Risk Management Committee include reviewing and making recommendations to the Board in relation to:

- internal control systems implemented by management, and reports prepared by the external and internal auditors;
- systems for the identification, assessment, monitoring, management and mitigation of material risks (both financial and non-financial) implemented by management;
- the Company's annual financial statements; and
- the management of the Consolidated Entity's borrowings (including financing costs and interest rate exposure),

and monitoring compliance with the *Corporations Act 2001* and any matters outstanding with auditors, taxation and other regulatory authorities and financial institutions.

The principal issues discussed by the Committee during the year were the 2008/09 financial statements and related matters, interest rate management, internal audit and security reviews, reviews of the Consolidated Entity's policies and plans, insurance program and risk management strategies, the implementation and further development of disaster recovery strategies for the Consolidated Entity's information systems, and planning for the 2009/10 year end.

#### Budget Committee

The members of the Budget Committee are Mr Don Muir (Chair), Mr Bob Grice and Dr Peter Lynch. Mr Luigi Casagrande also served as a member of the Committee during the year. The role of the Budget Committee is to give the Board additional assurance in relation to:

- processes for establishing budgets and longer term financial forecasts and projections; and
- resourcing and delivery of priority activities in accordance with the Consolidated Entity's strategic objectives,

and to provide guidelines on underlying assumptions and prioritisation of expenditures and make recommendations to the Board in relation to the Consolidated Entity's annual budget. The Committee also reviews budget outcomes on behalf of the Board.

The principal issues discussed by the Committee during the year were comparisons of actual results with budgets, revised forecasts for the 2009/10 financial year, and budgets and forecasts for the 2010/11 and subsequent financial years.

#### Business & Development Committee

The members of the Business & Development Committee are Ms Catherine Ford (Chair), Dr Peter Lynch and Messrs Bob Grice and Alan Tesch. The Business & Development Committee is charged with monitoring the Consolidated Entity's engineering, maintenance, tolling operation, customer service, marketing, and technology and development activities, and with seeking out sustainable business opportunities and emerging opportunities which:

- are consistent with the Consolidated Entity's strategic objectives;
- take advantage of the Consolidated Entity's capabilities and assets; and
- will maximise returns to the Consolidated Entity,

and to progress and monitor proposals and projects approved by the Board.

The principal issues discussed by the Committee during the year were:

- **go via** products and payment methods, their marketing to motorists, and improvements to customer service delivery;
- the implementation of Intelligent Transport Systems on the Gateway, Logan and Gateway Extension Motorways;
- future maintenance requirements and the timing of upgrades to the Logan and Gateway Extension Motorways;
- transport technology-related business opportunities;
- the negotiation of new commercial agreements with significant suppliers;
- defect rectification and project closure reports for the Free-Flow Tolling Project;
- the further development and management of information systems and disaster recovery strategies after the transition to full free-flow tolling;
- cost centre operating and capital budgets for 2010/11;
- changes to vehicle classes and tolls announced by the Government; and
- roaming arrangements with other Australian toll roads.

#### Business Sale Committee

The Business Sale Committee was established by the Board in July 2009 and wound up in March 2010. It comprised Mr David Gray (Chair), Ms Catherine Ford, Dr Peter Lynch and Messrs Bob Grice and Alan Tesch. The Chief Executive and other senior executives also attended Business Sale Committee meetings. The Business Sale Committee was responsible for reviewing and making recommendations to the Board in relation to the proposed sale of Queensland Motorways by the State and, in particular, for ensuring Queensland Motorways' alignment with its shareholders' desires in relation to the proposed sale.

#### Gateway Upgrade Project Committee

The members of the Gateway Upgrade Project Committee are Mr Robert Wensley (Chair) and Messrs Don Muir and Ian Munro. Mr Luigi Casagrande also served as a member of the Committee during the year. The Gateway Upgrade Project Committee is charged with monitoring the progress of the Gateway Upgrade Project. Its responsibilities include reviewing and making recommendations to the Board in relation to:

- relevant technical and operational issues;
- compliance with contractual requirements; and
- possible revisions to the Project's scope.

The principal issues discussed by the Committee during the year were:

- the progress of the Project's southern and new Sir Leo Hielscher Bridge sections;
- contractor safety issues, project risk management, and issues raised by the principal contractor;
- changes in relation to the early completion of the Project's original scope, and the extension of the Project to include the GUP Southern Extension between Mt Gravatt-Capalaba Road and the Gateway Extension Motorway at Eight Mile Plains;
- the implementation of Intelligent Transport Systems on the Gateway Motorway;
- pedestrian and cycle connections to the new Sir Leo Hielscher Bridge;
- comparisons of actual project costs with budget, and the project budget and forecasts for the 2010/11 financial year; and
- the opening of the Project's northern, southern and new Sir Leo Hielscher Bridge sections to traffic.

#### Free-Flow Tolling Project Committee

The Free-Flow Tolling Project Committee was wound up in December 2009. It comprised Ms Catherine Ford (Chair) and Messrs David Gray, Don Muir and Alan Tesch. The Free-Flow Tolling Project Committee was responsible for monitoring the progress of the Free-Flow Tolling Project, and for reviewing and making recommendations to the Board in relation to:

- relevant technical standards and requirements;
- compliances with contractual requirements; and
- potential operational impacts during the Project's implementation phase.

The principal issues discussed by the Committee during the year were:

- the progress of the Project's roadside systems, central systems, civil works and third-party interface components;
- go-live transition for the new core tolling and roadside systems;
- transport technology-related business opportunities;
- defect rectification and project closure reports for the Project;
- the further development and management of information systems and disaster recovery strategies after the transition to full free-flow tolling; and
- project risk management and comparisons of actual project costs with budget.

#### Risk Management

The Audit & Risk Management Committee oversees the establishment, implementation, and annual review of the Company's risk management system on behalf of the Board. Management has established and implemented the risk management system for assessing, monitoring and managing the Consolidated Entity's operational, financial reporting, and compliance risks.

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based on written procedures, policies and guidelines, and organisational structures that seek to provide an appropriate division of responsibility and accountability and the appropriate selection and training of qualified personnel. The Chief Executive and the Chief Financial Officer have declared, in writing to the Board, that the risk management and internal compliance and control systems are operating efficiently and effectively.

### Internal audit

The internal auditors have been contracted by the Board for a three-year term to assist it in ensuring compliance with internal controls and risk management programs, by reviewing the effectiveness of the Consolidated Entity's compliance and control systems. The Audit & Risk Management Committee is responsible for approving the program of internal audit reviews to be conducted each financial year and for the scope of the work to be performed, and undertakes regular reviews to assess and evaluate the performance of the internal auditors. The Audit & Risk Management Committee is responsible for recommending a firm to the Board for appointment as internal auditors.

### Ethical Standards

All Directors, senior executives and other employees are expected to act lawfully, in a professional manner and with the utmost integrity and objectivity in their dealings with customers and consumers, suppliers, advisors and regulators, competitors, the community and each other, striving at all times to enhance the reputation and performance of the Consolidated Entity.

### Conflicts of interest

Directors must keep the Board advised, on an ongoing basis, of any interest which could potentially conflict with the interests of the Consolidated Entity. The Board has developed procedures to assist Directors to disclose potential conflicts of interest. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director-related entity transactions with the Company or its controlled entities are set out on pages 75 and 76 of the Annual Report.

### Communication

The Board is committed to ensuring that the State, its representatives, and the people of Queensland are continually informed of the Consolidated Entity's performance and of all major developments affecting the Consolidated Entity's state of affairs. The Consolidated Entity has implemented procedures to ensure that information is communicated as follows:

- Provision of information to the State on the Consolidated Entity's performance against agreed targets through the *Corporate Plan*, *Annual Performance Plan* and Quarterly Reports;
- Preparation of this Annual Report, its provision to shareholders and other interested stakeholders on an annual basis, and its publication on the Company's website where it can be viewed by people interested in the Consolidated Entity's activities;
- Briefings to the shareholders and other representatives of the State, conducted on a regular basis for the purpose of disclosing the Consolidated Entity's business activities and performance against agreed targets; and
- Communication with the Consolidated Entity's broader stakeholders through the Company's websites, regularly updated to provide information on the Consolidated Entity's operations, governance practices, media announcements and community consultation initiatives.

# Five year summary

	2006	2007	2008	2009	2010
<b>Thousands of vehicles</b>					
Tolled traffic:					
Gateway Motorway	31,589	33,582	34,157	32,878	34,252
Logan & Gateway Extension Motorways	33,208	37,163	40,918	41,979	44,730
<b>Total</b>	<b>64,797</b>	<b>70,745</b>	<b>75,075</b>	<b>74,857</b>	<b>78,982</b>
<b>Dollars per vehicle</b>					
Average net tolls:					
Gateway Motorway	2.30	2.51	2.66	2.99	2.98
Logan & Gateway Extension Motorways	1.48	1.58	1.72	1.86	1.87
<b>Thousands of dollars</b>					
Net toll revenue	122,545	142,873	161,216	184,722	199,501
Total income	128,955	149,518	171,293	188,881	222,189
Earnings before interest, tax, depreciation and amortisation	94,016	102,934	109,949	104,088	110,120
Depreciation and amortisation	(36,770)	(36,429)	(41,328)	(48,860)	(93,091)
Earnings before interest and tax	57,246	66,505	68,621	55,228	17,029
Borrowing costs	(59,404)	(55,867)	(54,288)	(62,060)	(102,210)
Operating profit/(loss) before tax	(2,158)	10,638	14,333	(6,832)	(85,181)
Income tax on operating profit/loss	1,307	(1,699)	–	–	–
Operating profit/(loss) after tax	(851)	8,939	14,333	(6,832)	(85,181)
Deficiency in total equity	(478,374)	(469,435)	(445,132)	(441,903)	(516,946)
Total assets	472,972	869,822	1,538,502	2,066,204	2,359,920
Borrowings	930,265	1,299,039	1,899,068	2,417,784	2,809,289
Cash flows from operating activities:					
Cash from operations before tax	38,394	46,156	63,482	53,435	(3,333)
Income tax paid	–	–	–	–	–
Cash from operations after tax	38,394	46,156	63,482	53,435	(3,333)
Capital expenditure	33,135	397,497	547,377	622,484	502,190
<b>Percent</b>					
Return on total assets	12.3	9.9	5.7	3.1	0.8
Operating sales margin	44.1	44.1	39.5	29.0	7.4
<b>Times</b>					
Cost recovery ratio	1.77	1.77	1.60	1.41	1.07
Interest cover ratio:					
EBITDA/Borrowing costs expensed	1.58	1.84	2.03	1.68	1.08
EBITDA/Borrowing costs incurred	1.57	1.59	1.14	0.80	0.69

Comparative figures have, where applicable, been adjusted to place them on a comparable basis with current year figures.

# Directors' report

For the year ended 30 June 2010

The Directors present their report together with the financial report of the Company and the consolidated financial report of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2010 and the Auditors' report thereon.

## **Directors**

Details of all Directors of the Company who have held office at any time during or since the end of the financial year are set out in the *Directors* section of the Annual Report.

## **Company Secretary**

Details of the Company Secretary holding office at the end of the financial year are set out in the *Corporate Management* section of the Annual Report.

## **Principal Activity**

The principal activity of the Consolidated Entity during the course of the financial year was the operation of toll roads and tolling systems in Southeast Queensland and progressing the Delivery Phase of the Gateway Upgrade and Free-Flow Tolling Projects.

## **Consolidated Result**

The consolidated operating loss after income tax for the year was \$85,181,000 (2009: \$6,832,000).

## **Review of Operations**

A review of the Consolidated Entity's operations is set out in the preceding sections of the Annual Report.

## **Going Concern**

In forming the opinion that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, the Directors have relied upon the terms of the road franchise agreement between entities in the Consolidated Entity and the State of Queensland, under which the State has guaranteed the payment of liabilities arising under contracts entered into in accordance with the road franchise agreement and has thus undertaken to meet any deficiency ultimately realised.

The ability of the Consolidated Entity to repay debt without recourse to the State guarantee is dependent on the ability of the Consolidated Entity to periodically review tolls and franchise fees, extend current franchise periods or receive additional income from other sources (including the Queensland Department of Transport & Main Roads). These are matters for decision by Government.

## **Dividends**

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial year.

## **State of Affairs**

On 2 June 2009 the Queensland Government announced that it would offer a number of State-owned assets for sale, including Queensland Motorways Limited and the State's proposed Port of Brisbane Motorway Upgrade Project. The *Infrastructure Investment (Assets Restructuring and Disposal) Act 2009*, passed by the State Parliament on 22 June 2009, grants extensive powers to the Queensland Treasurer to direct the restructuring, disposal or other processes necessary for the disposal of all or part of the Consolidated Entity's businesses, assets and liabilities.

In December 2009 the Government completed its scoping study in relation to the structure and timing of the sale of the Queensland Motorways assets, and announced its intention that:

- tolling rights on the Gateway, Logan and Gateway Extension Motorways will be leased via a franchise agreement for a period of up to 50 years;
- the State will retain ownership of the Gateway Bridges, the motorway land and the roads;
- the new franchise agreement will include maintenance responsibilities for the road and bridge infrastructure over the life of the franchise;
- the Port of Brisbane Motorway will not be included in the new franchise agreement; and
- conclusion of the transaction is targeted for the end of the 2011 calendar year.

At the reporting date, preliminary work has commenced on drafting of the new franchise agreement. Implementation of significant components of the new agreement is targeted for the end of the 2010 calendar year.

Although it is expected, based on the Government's December 2009 announcements, that ownership of the Port of Brisbane Motorway will be transferred to the State following implementation of the new franchise agreement, significant uncertainty remains in relation to the timing and impact of this potential transfer. There is also still significant uncertainty in relation to other aspects of the sale process.

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Accordingly, these financial statements have been prepared on a going concern basis and the Consolidated Entity's non-current assets have not been reclassified as 'held for sale'.

In the opinion of the Directors, no other significant changes occurred in the state of affairs of the Consolidated Entity during the financial year under review except as disclosed elsewhere in this report or the consolidated financial report.

#### **Events Subsequent to Balance Date**

Toll charges for motorcycles, cars and commercial vehicles using the Gateway, Logan and Gateway Extension Motorways changed in accordance with State Government policy from 1 July 2010, increasing by an average 31.5%.

No other item, transaction or event of a material or unusual nature has arisen since the end of the financial year which is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

#### **Likely Developments**

The Consolidated Entity will continue to concentrate on the operation of its existing toll roads and tolling systems, and on completing the Gateway Upgrade and Free-Flow Tolling Projects. Further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations is discussed in the preceding sections of the Annual Report.

#### **Environmental Regulation**

The Consolidated Entity's operations are subject to environmental regulation under both Commonwealth and State legislation, and are managed responsibly with respect to environmental impacts and community obligations. An Environmental Impact Statement was prepared for the Gateway Upgrade Project. Environmental management systems are designed to ensure that all of the Consolidated Entity's obligations under applicable environmental regulations are met.

### Indemnification and Insurance of Officers

The Company has indemnified each person who is or has been a Director, officer or agent of the Company or of a controlled entity of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as such Director, officer or agent, except where the liability arises out of conduct involving a lack of good faith. The Company is required to meet the full amount of any such liabilities, including costs and expenses.

No liability has arisen since the end of the previous financial year which the Company would, by operation of the above indemnities, be required to meet.

Since the end of the previous financial year, the Company has paid insurance premiums in respect of Directors' and Officers' Liability insurance contracts. The contracts provide that the insurers shall indemnify current, former and future Directors, secretaries, executive officers and employees of the Company and its subsidiary companies against various liabilities. The contracts prohibit, to the extent permitted by law, disclosure of the nature of the liabilities insured against and the amounts of the premiums paid.

### Directors' Meetings

The number of Directors' meetings (including meetings of permanent committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

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	Directors' Meetings		Audit & Risk Management		Budget		Nomination/ Remuneration		Business & Development		Free-Flow Tolling Project		Gateway Upgrade Project		Business Sale	
	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>
<b>Director</b>																
Mr D.M. Gray	9	11	2	4	-	-	3	4	-	-	5	5	-	-	7	11
Mr R.A. Grice	11	11	4	4	6	6	-	-	7	7	-	-	-	-	10	11
Mr L.Casagrande	7	10	-	-	3	5	-	-	-	-	-	-	9	12	-	-
Ms C.A. Ford	10	11	4	4	-	-	-	-	7	7	5	5	-	-	8	11
Dr P.J. Lynch	11	11	-	-	-	-	4	4	6	7	-	-	-	-	10	11
Mr D.J. Muir	10	11	-	-	6	6	-	-	-	-	5	5	12	13	-	-
Mr I.K. Munro	10	11	-	-	-	-	-	-	-	-	-	-	10	13	-	-
Mr A.B. Tesch	7	11	2	4	-	-	-	-	4	7	1	5	-	-	-	11
Mr R.N. Wensley	11	11	-	-	-	-	4	4	-	-	-	-	11	13	-	-

<sup>1</sup>Reflects the number of meetings held during the time the Director held office or was a member of the relevant committee during the year.

Mr Tesch was prevented by illness from attending a number of Board and Committee Meetings in the early months of the year.

**Auditor's independence declaration**

To the Directors of Queensland Motorways Limited

This audit independence declaration has been provided pursuant to s.307C of the Corporations Act 2001.

**Independence Declaration**

As lead auditor for the audit of Queensland Motorways Limited for the year ended 30 June 2010, 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.



**M.R. Hyman CA**  
as Delegate of the  
Auditor-General of Queensland



**Queensland Audit Office**  
Brisbane

**Rounding Off of Amounts**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in this report and the accompanying financial report have been rounded off to the nearest thousand dollars except where otherwise stated.

Signed in accordance with a resolution of the Directors.



**D.M. Gray**  
Chairman



**R.A. Grice AO**  
Director

Brisbane  
28 July 2010

# Financial report

For the year ended 30 June 2010

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# Statements of comprehensive income

For the year ended 30 June 2010

	Notes	Company		Consolidated	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Revenue	4	–	–	217,373	188,264
Finance income	8	–	–	520	581
Other income	5	–	–	4,296	36
<b>Total income</b>		–	–	222,189	188,881
Employee benefits and related expenses	6	–	–	(30,096)	(25,268)
Depreciation and amortisation expenses	7	–	–	(93,091)	(48,860)
Loss on disposal of non-current assets	7	–	–	(208)	(2,467)
Maintenance expenses		–	–	(23,935)	(17,076)
Franchise fees		–	–	(4,596)	(4,485)
Bad and doubtful debts		–	–	(9,268)	(305)
Toll collection expenses		–	–	(5,136)	(1,962)
Toll road usage expenses		–	–	(12,729)	(8,439)
Finance costs	8	–	–	(102,210)	(62,060)
Subsidies to controlled entities		(10,138)	(10,061)	–	–
Advertising, promotions and public relation expenses		–	–	(4,976)	(5,658)
Printing, postage and stationery expenses		–	–	(3,337)	(3,222)
Sale-related expenses		–	–	(1,738)	–
Other expenses		–	–	(16,050)	(15,911)
<b>Total expenses</b>		(10,138)	(10,061)	(307,370)	(195,713)
<b>Profit/(loss) before income tax equivalents benefit</b>		(10,138)	(10,061)	(85,181)	(6,832)
Income tax equivalents (expense)/benefit	9	(31,806)	(444)	–	–
<b>Net profit/(loss)</b>		(41,944)	(10,505)	(85,181)	(6,832)
Other comprehensive income		–	–	–	–
<b>Total comprehensive income for the year</b>		(41,944)	(10,505)	(85,181)	(6,832)

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

# Statements of changes in equity

For the year ended 30 June 2010

## Attributable to equity holders of the Company

	Share capital	Other contributed equity	Accumulated losses	Total equity
	\$000	\$000	\$000	\$000
<b>Consolidated</b>				
Balances at 1 July 2008	177,459	–	(622,591)	(445,132)
<b>Comprehensive income:</b>				
Profit/(loss) for the year	–	–	(6,832)	(6,832)
<b>Transactions with owners, recorded directly in equity:</b>				
Application moneys received for ordinary shares	–	10,061	–	10,061
Issue of ordinary shares	–	–	–	–
Total transactions with owners	–	10,061	–	10,061
<b>Balances at 30 June 2009</b>	<b>177,459</b>	<b>10,061</b>	<b>(629,423)</b>	<b>(441,903)</b>
Balances at 1 July 2009	177,459	10,061	(629,423)	(441,903)
<b>Comprehensive income:</b>				
Profit/(loss) for the year	–	–	(85,181)	(85,181)
<b>Transactions with owners, recorded directly in equity:</b>				
Application moneys received for ordinary shares	–	10,138	–	10,138
Issue of ordinary shares	10,061	(10,061)	–	–
Total transactions with owners	10,061	77	–	10,138
<b>Balances at 30 June 2010</b>	<b>187,520</b>	<b>10,138</b>	<b>(714,604)</b>	<b>(516,946)</b>
<b>Company</b>				
Balances at 1 July 2008	177,459	–	(53,277)	124,182
<b>Comprehensive income:</b>				
Profit/(loss) for the year	–	–	(10,505)	(10,505)
<b>Transactions with owners, recorded directly in equity:</b>				
Application moneys received for ordinary shares	–	10,061	–	10,061
Issue of ordinary shares	–	–	–	–
Total transactions with owners	–	10,061	–	10,061
<b>Balances at 30 June 2009</b>	<b>177,459</b>	<b>10,061</b>	<b>(63,782)</b>	<b>123,738</b>
Balances at 1 July 2009	177,459	10,061	(63,782)	123,738
<b>Comprehensive income:</b>				
Profit/(loss) for the year	–	–	(41,944)	(41,944)
<b>Transactions with owners, recorded directly in equity:</b>				
Application moneys received for ordinary shares	–	10,138	–	10,138
Issue of ordinary shares	10,061	(10,061)	–	–
Total transactions with owners	10,061	77	–	10,138
<b>Balances at 30 June 2010</b>	<b>187,520</b>	<b>10,138</b>	<b>(105,726)</b>	<b>91,932</b>

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

# Statements of financial position

As at 30 June 2010

	Notes	Company		Consolidated	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Current assets</b>					
Cash and cash equivalents	10	–	–	16,679	120,536
Trade and other receivables	11	18,149	18,149	20,784	9,781
Other	16	–	–	1,331	601
<b>Total current assets</b>		<b>18,149</b>	<b>18,149</b>	<b>38,794</b>	<b>130,918</b>
<b>Non-current assets</b>					
Trade and other receivables	11	76,744	76,744	–	–
Investments	12	18	18	–	–
Property, plant and equipment	13	–	–	2,219,445	1,858,933
Intangible assets	14	–	–	70,052	41,711
Deferred tax assets	15	33,620	34,127	–	–
Other	16	–	–	31,629	34,642
<b>Total non-current assets</b>		<b>110,382</b>	<b>110,889</b>	<b>2,321,126</b>	<b>1,935,286</b>
<b>Total assets</b>		<b>128,531</b>	<b>129,038</b>	<b>2,359,920</b>	<b>2,066,204</b>
<b>Current liabilities</b>					
Trade and other payables	17	36,599	5,300	64,132	84,771
Interest-bearing liabilities	18	–	–	5,000	5,000
Employee benefits	19	–	–	2,642	4,554
<b>Total current liabilities</b>		<b>36,599</b>	<b>5,300</b>	<b>71,774</b>	<b>94,325</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	18	–	–	2,804,289	2,412,784
Employee benefits	19	–	–	803	998
<b>Total non-current liabilities</b>		<b>–</b>	<b>–</b>	<b>2,805,092</b>	<b>2,413,782</b>
<b>Total liabilities</b>		<b>36,599</b>	<b>5,300</b>	<b>2,876,866</b>	<b>2,508,107</b>
<b>Net assets/(liabilities)</b>		<b>91,932</b>	<b>123,738</b>	<b>(516,946)</b>	<b>(441,903)</b>
<b>Equity</b>					
Share capital	20	187,520	177,459	187,520	177,459
Other contributed equity	21	10,138	10,061	10,138	10,061
Accumulated losses	22	(105,726)	(63,782)	(714,604)	(629,423)
<b>Surplus/(deficiency) in total equity</b>		<b>91,932</b>	<b>123,738</b>	<b>(516,946)</b>	<b>(441,903)</b>

The above statements of financial position should be read in conjunction with the accompanying notes.

# Statements of cash flows

For the year ended 30 June 2010

	Notes	Company		Consolidated	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		–	–	224,491	210,535
Cash payments in the course of operations		(10,138)	(10,061)	(125,364)	(95,040)
Borrowing costs paid		–	–	(102,460)	(62,060)
<b>Net cash provided by/(used in) operating activities</b>	23	(10,138)	(10,061)	(3,333)	53,435
<b>Cash flows from investing activities</b>					
Proceeds on disposal of non-current assets		–	–	23	63
Payments for property, plant and equipment		–	–	(502,190)	(622,484)
<b>Net cash used in investing activities</b>		–	–	(502,167)	(622,421)
<b>Cash flows from financing activities</b>					
Application moneys received for the issue of shares		10,138	10,061	10,138	10,061
Proceeds from borrowings		–	–	400,073	526,831
Repayment of borrowings		–	–	(8,568)	(8,115)
<b>Net cash provided by financing activities</b>		10,138	10,061	401,643	528,777
<b>Net increase in cash and cash equivalents</b>		–	–	(103,857)	(40,209)
Cash and cash equivalents at the beginning of the financial year		–	–	120,536	160,745
<b>Cash and cash equivalents at the end of the financial year</b>	10	–	–	16,679	120,536

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

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 1 Reporting entity

Queensland Motorways Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is 7 Brandl Street, Eight Mile Plains, Queensland. The consolidated financial report of the Company as at and for the financial year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the Consolidated Entity). The Consolidated Entity has no interests in associates or jointly controlled entities. The Consolidated Entity is primarily involved in the operation of the Gateway, Logan and Gateway Extension Motorway toll roads and the Port of Brisbane Motorway, under a road franchise agreement with the State of Queensland. Subject to certain conditions (which have been met), the State guarantees the payment of liabilities the Consolidated Entity incurs.

## 2 Basis of preparation

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The consolidated financial report was approved by the Board of Directors on 28 July 2010.

### (b) Basis of measurement

#### Historical cost convention

The consolidated financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or current valuations of non-current assets.

### (c) Functional and presentation currency

The consolidated financial report is presented in Australian dollars, which is the functional currency of the Company and the Consolidated Entity.

### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Management discussed with the Audit & Risk Management Committee the development, selection and disclosure of the Consolidated Entity's

critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Key sources of estimation uncertainty: Recognition of deferred tax assets arising from unused tax losses

The Consolidated Entity is undertaking the construction of the Gateway Upgrade Project, funded entirely by additional borrowings, and expects to complete the project in the 2010/11 financial year. Tax deductions for interest charges and depreciation of infrastructure assets have, accordingly, increased to the extent that the Consolidated Entity will be unable to earn taxable profits for approximately ten years from the 2009/10 financial year. The length of the period when tax losses will be incurred will be influenced by the final cost of the Gateway Upgrade Project and the deductibility of the costs incurred, interest rates applicable to the Consolidated Entity's borrowings, and the amount of the Consolidated Entity's net income from tolling and other activities.

Under current Australian tax legislation, tax losses incurred after the formation of a tax-consolidated group are required to be utilised before those incurred earlier may be utilised. It is thus uncertain whether any of the tax losses incurred prior to the 1 July 2003 formation of the tax-consolidated group will be utilised before all of the Consolidated Entity's assets become the absolute property of the State of Queensland on the expiry of the relevant franchise periods, other than to the extent that such tax losses have been utilised in the 2009/10 and prior financial years.

Accordingly, a deferred tax asset has been recognised in relation to current unused tax losses only to the extent that a taxable profit will probably be available on the reversal of current temporary differences, against which they can be deducted.

#### Critical accounting judgements in applying the Consolidated Entity's accounting policies

With the exception of the matter described above, no critical accounting judgements were made in applying the Consolidated Entity's accounting policies.

### (e) Rounding

The Company is of a kind referred to in ASIC Class Order 98/0100 relating to the rounding off of amounts in the financial report. Amounts in the financial report and Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities within the Consolidated Entity.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

#### (a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company (being the Parent Entity) and all the entities it controls (collectively referred to as controlled entities). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Company and its controlled entities collectively comprise a single consolidated entity, which is referred to as the Consolidated Entity.

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

#### (b) Interest in assets

Under the terms of the road franchise agreement between entities in the Consolidated Entity and the State of Queensland, all of those entities' assets will become the absolute property of the State on the expiry of the relevant franchise period. The Consolidated Entity will not receive compensation on the forfeiture of such assets.

#### (c) Financial instruments

##### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the statement of comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition, non-

derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Consolidated Entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument. The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Cash and cash equivalents:** Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Receivables:** Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are stated at their amortised cost less impairment losses. Trade debtors are generally settled within 30 days and are carried at amounts due. No securities are held over trade and other receivables, and interest is charged on overdue term accounts. Amounts receivable from controlled entities are carried at amounts due.

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 3 Significant accounting policies (cont.)

### (c) Financial instruments (cont.)

#### (i) Non-derivative financial instruments (cont.)

**Receivables (cont.):** Such amounts are included in current receivables where less than twelve months notice of repayment is required, and are otherwise included in non-current receivables. Interest is not charged on amounts receivable from controlled entities.

**Payables:** Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days, and no securities are provided.

**Interest bearing liabilities:** Loans from Queensland Treasury Corporation are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis (Note 27(b)).

Accounting for finance income and expense is discussed in Note 3(f).

#### (ii) Share capital

**Ordinary shares:** Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any related income tax effects.

**Dividends:** Dividends are recognised as a liability in the period in which they are declared.

### (d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of Goods and Services Tax (GST).

Toll revenue comprises revenue receivable from customers and other motorists for the use of toll roads, and is recognised when the service is provided.

Gains and losses on the disposal of non-current assets are reported by deducting the carrying amount of the asset and related expenses from the proceeds on disposal.

Contributions to assist in the operation of assets, being non-reciprocal transfers, are recognised as revenue at the fair value of the asset received over the period for which the contribution is provided.

### (e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in current receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (f) Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. Dividend revenue from controlled entities is brought to account in the statement of comprehensive income when the dividends are declared by the controlled entities.

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets. All borrowing costs are recognised in the statement of comprehensive income using the effective interest method. Borrowing costs include interest on current and long-term borrowings, ancillary administration charges and performance dividends on Queensland Treasury Corporation borrowings.

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are capitalised to the costs of assets which take more than twelve months to get ready for their intended use ('qualifying assets'). Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings.

### (g) Taxation

The Consolidated Entity is subject to the National Taxation Equivalents Regime in relation to income tax. Income tax equivalents expense/benefit on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

### 3 Significant accounting policies (cont.)

#### (g) Taxation (cont.)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

#### Tax consolidation

The Company and its controlled entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The Company is the head entity in the tax-consolidated group comprising all the Australian wholly owned subsidiaries set out in Note 31.

Current tax equivalents expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable to/(receivable from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

#### Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

#### (h) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the statement of comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is recognised in the statement of comprehensive income when incurred unless the Consolidated Entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably, in which case the relevant development expenditure is capitalised. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 3 Significant accounting policies (cont.)

### (i) Repairs and maintenance costs

Expenditure on repairs and maintenance is recognised in the statement of comprehensive income as an expense as incurred.

### (j) Acquisition of assets

All assets acquired, including property, plant and equipment, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. The cost of assets constructed or internally generated by the Consolidated Entity includes the cost of materials and direct labour, directly attributable overheads and other incidental costs. Borrowing costs are capitalised to qualifying assets. The asset recognition threshold is \$5,000: assets whose cost of acquisition is less than this amount are expensed.

Expenditure is only recognised as an asset when the Consolidated Entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Any post-acquisition expenditure which increases such future economic benefits is also capitalised. All other costs are recognised as an expense in the statement of comprehensive income as incurred. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

### (k) Deferred expenditure

Expenditure incurred on infrastructure assets outside the area leased by the Consolidated Entity is deferred when the entity controls future economic benefits, as a result of the costs incurred, that are probable and can be measured reliably.

### (l) Depreciation and amortisation

Depreciation or amortisation is provided on a straight line basis on all items of property, plant and equipment, definite life intangibles and deferred expenditure over their estimated useful lives (taking into account estimated residual values) or, if less, the balance of the relevant franchise period. Assets under construction are recorded at cost and are not depreciated or amortised until they are commissioned.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When

changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation charges are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The periods over which each class of assets is depreciated or amortised are as follows:

	2010	2009
Buildings and improvements	5–30 years	5–30 years
Infrastructure assets:		
Roads and bridges	5–30 years	5–30 years
Running surfaces	5–15 years	5–15 years
Plant and equipment	2–30 years	2–30 years
Motor vehicles	4–10 years	4–10 years
Intangible assets (Software)	2.5–7 years	2.5–7 years
Deferred expenditure (Infrastructure off lease)	5–30 years	5–30 years

### (m) Leased assets

Leases in terms of which the Consolidated Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Consolidated Entity's statement of financial position.

### (n) Impairment

#### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Consolidated Entity on terms that the Consolidated Entity would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

The Consolidated Entity considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

### 3 Significant accounting policies (cont.)

#### (n) Impairment (cont.)

##### (i) Financial assets (cont.)

All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Consolidated Entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

All impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

##### (ii) Non-financial assets

The carrying amounts of the Consolidated Entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The proposed sale by the State of interests in Queensland Motorways (Note 34) has not given rise to an indication of impairment of any of the Consolidated Entity's non-financial assets.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

#### Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### (o) Employee benefits

##### Wages, salaries and annual leave

Liabilities for wages, salaries, annual leave and other employee benefits that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employees' services provided to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at the reporting date (including related on-costs such as workers compensation insurance premiums, employer superannuation contributions and payroll tax).

##### Long service leave

The provision for long service leave benefits represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to the reporting date.

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 3 Significant accounting policies (cont.)

### (o) Employee benefits (cont.)

#### Long service leave (cont.)

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to Commonwealth Government bonds at the reporting date which most closely match the terms of maturity of the related liabilities.

#### Superannuation

The Company and its controlled entities contribute to several complying accumulation superannuation plans. Obligations for contributions to accumulation superannuation plans are recognised as an expense in the statement of comprehensive income as they are paid or become payable.

#### Termination benefits

Termination benefits are recognised as an expense when the Consolidated Entity is demonstrably committed, without realistic opportunity of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Consolidated Entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

### (p) Lease payments

Payments under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

### (q) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Consolidated Entity has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Consolidated Entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Consolidated Entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>4 Revenue</b>				
Toll revenue	–	–	199,501	184,722
Toll collection fee revenue	–	–	14,587	–
Contribution for operation of the Port of Brisbane Motorway	–	–	2,525	2,526
Revenue from rendering of services	–	–	216,613	187,248
Other revenue:				
Rental income	–	–	673	668
Sundry income	–	–	87	348
	–	–	760	1,016
<b>Total revenue</b>	–	–	217,373	188,264
<b>5 Other income</b>				
Cost recoveries	–	–	4,296	36
<small>(Cost recoveries include an amount of \$4,000,000 recovered in relation to the cost of the Meadowlands Road bridge duplication; 2009: \$Nil.)</small>				
<b>6 Employee benefits and related expenses</b>				
Salaries, wages and termination payments	–	–	20,454	18,279
Contributions to accumulation superannuation funds	–	–	2,062	2,291
Agency staff expense	–	–	7,245	1,935
Other employee related expenses	–	–	2,442	2,327
	–	–	32,203	24,832
Increase/(decrease) in amounts accrued for employee benefits:				
Salaries and wages	–	–	86	303
Redundancy payments	–	–	(1,450)	(1,046)
Annual leave	–	–	(365)	829
Long service leave	–	–	(378)	350
<b>Total increase in amounts accrued</b>	–	–	(2,107)	436
	–	–	30,096	25,268

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>7 Expenses</b>				
Profit/(loss) from ordinary activities before income tax benefit/(expense) is arrived at after charging/(crediting) the following items:				
Depreciation and amortisation of property, plant and equipment:				
Buildings and improvements	–	–	567	1,383
Roads and bridges	–	–	56,022	28,198
Running surfaces	–	–	7,815	6,312
Plant and equipment	–	–	14,672	8,220
Motor vehicles	–	–	314	298
	–	–	79,390	44,411
Amortisation of intangible assets	–	–	10,784	3,743
Amortisation of deferred expenditure	–	–	3,013	3,013
Total depreciation and amortisation	–	–	93,187	51,167
Less: amounts capitalised	–	–	(96)	(2,307)
Net depreciation and amortisation expense	–	–	93,091	48,860
Net loss on disposal of non-current assets:				
Property, plant and equipment	–	–	208	2,467
Bad debts written off	–	–	406	75
Amounts set aside to provision for impairment of receivables	–	–	8,862	230

The increase in the amount set aside to the provision for impairment of receivables in 2009/10 results from the withdrawal of cash payment facilities at toll plazas on the Consolidated Entity's toll roads, on the July 2009 introduction of full free-flow tolling. Approximately 6% of trips undertaken on the Consolidated Entity's toll roads in 2009/10 were undertaken by motorists who made no arrangements to pay the tolls and fees due. The increase in the provision reflects the Consolidated Entity's assessment of the amount of these tolls and fees which it will be unable to collect.

Amounts charged to other expenses include the following items:

- Auditors' remuneration comprises \$262,000 (Company \$Nil) for Audit services rendered in relation to the financial report of the entity by the Auditors of the Company being Queensland Audit Office (2009: Consolidated Entity \$227,000; Company \$Nil).
- 2009: Tolls not invoiced to customers comprises \$1,606,000 (Company \$Nil) and results from system errors in the legacy tolling administration system in operation during the year. The legacy tolling administration system was decommissioned on 30 June 2009.

## 8 Finance income and expense

<b>Recognised in the statement of comprehensive income</b>				
Finance income:				
Interest income on bank deposits	–	–	520	581
Finance expense:				
Interest expense on financial liabilities measured at amortised cost	–	–	159,786	130,239
Less: amounts capitalised	–	–	(57,576)	(68,179)
Finance costs	–	–	102,210	62,060
Net finance expense	–	–	101,690	61,479

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>9 Income tax equivalents</b>				
<b>Recognised in the statement of comprehensive income</b>				
Current tax (expense)/benefit:				
Current year	(31,299)	(16,680)	(12,372)	(4,421)
Adjustments for prior years	–	–	12,372	4,421
	(31,299)	(16,680)	–	–
Deferred tax (expense)/benefit:				
Origination and reversal of temporary differences	–	–	507	(16,236)
Benefit of tax losses recognised/(derecognised)	(507)	16,236	(507)	16,236
	(507)	16,236	–	–
Total income tax equivalents expense in statement of comprehensive income	(31,806)	(444)	–	–
<b>Numerical reconciliation between tax equivalents expense and pre tax net loss</b>				
Loss before tax equivalents expense	(10,138)	(10,061)	(85,181)	(6,832)
Income tax equivalents benefit using the domestic corporation tax rate of 30% (2009: 30%)	3,041	3,018	25,554	2,050
Increase in income tax equivalents expense due to:				
Non-deductible depreciation and amortisation	–	–	(3,673)	(3,932)
Non-deductible borrowing costs	–	–	(1,917)	(1,971)
Non-deductible subsidies paid to controlled entities	(3,041)	(3,018)	–	–
Other non-deductible expenses	–	–	(530)	(124)
Decrease in income tax equivalents expense due to:				
Effect of tax losses recognised	(31,806)	(444)	(31,806)	(444)
	(31,806)	(444)	(12,372)	(4,421)
Adjustment re prior years	–	–	12,372	4,421
Income tax equivalents expense on pre-tax loss	(31,806)	(444)	–	–
Income tax recognised directly in equity	–	–	–	–

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>10 Cash and cash equivalents</b>				
Bank balances	–	–	5,674	14,020
Call deposits	–	–	11,005	106,516
<b>Cash and cash equivalents</b>	<b>–</b>	<b>–</b>	<b>16,679</b>	<b>120,536</b>

There are no bank overdrafts. The effective interest rate on call deposits is 5.20% (2009: 3.39%). The deposits are repayable on demand.

The Consolidated Entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

## 11 Trade and other receivables

<b>Current</b>				
Trade receivables:				
Account customers	–	–	7,365	4,672
Motorists with no arrangements to pay	–	–	12,786	–
Other	–	–	2,869	2,873
Less: Provision for impairment of receivables	–	–	(9,212)	(350)
	–	–	13,808	7,195
Receivable from controlled entities	18,149	18,149	–	–
Other receivables	–	–	6,976	2,586
	<b>18,149</b>	<b>18,149</b>	<b>20,784</b>	<b>9,781</b>
<b>Non-current</b>				
Advances to controlled entities	76,744	76,744	–	–

The Consolidated Entity's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 27.

## 12 Investments

Investments in controlled entities:				
Unlisted shares at cost	18	18	–	–

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>13 Property, plant and equipment</b>				
<b>Buildings and improvements</b>				
At cost	–	–	8,420	10,917
Less: Accumulated depreciation and amortisation	–	–	(4,801)	(6,837)
Total buildings and improvements	–	–	3,619	4,080
<b>Infrastructure assets</b>				
Roads and bridges – at cost	–	–	2,394,756	747,315
Less: Accumulated amortisation	–	–	(353,026)	(300,997)
Total roads and bridges	–	–	2,041,730	446,318
Running surfaces – at cost	–	–	86,164	55,362
Less: Accumulated amortisation	–	–	(34,314)	(26,499)
Total running surfaces	–	–	51,850	28,863
Total infrastructure assets	–	–	2,093,580	475,181
<b>Plant and equipment</b>				
At cost	–	–	106,752	60,955
Less: Accumulated depreciation	–	–	(39,172)	(40,319)
Total plant and equipment	–	–	67,580	20,636
<b>Motor vehicles</b>				
At cost	–	–	1,866	1,850
Less: Accumulated depreciation	–	–	(912)	(612)
Total motor vehicles	–	–	954	1,238
<b>Assets under construction</b>				
Gateway Upgrade Project – at cost	–	–	42,490	1,267,276
Free-Flow Tolling Project – at cost	–	–	–	87,411
Logan Motorway Resurfacing Projects – at cost	–	–	1,865	1,663
Other – at cost	–	–	9,357	1,448
Total assets under construction	–	–	53,712	1,357,798
Total property, plant and equipment	–	–	2,219,445	1,858,933

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 13 Property, plant and equipment (cont.)

### Reconciliation

	Consolidated						
	Infrastructure assets			Plant and equipment	Motor vehicles	Assets under construction	Total
	Buildings and improvements	Roads and bridges	Running surfaces				
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Gross carrying amount as at 1 July 2008	10,243	730,043	50,886	46,171	1,750	823,041	1,662,134
Accumulated depreciation and amortisation	(5,454)	(272,799)	(26,863)	(32,137)	(508)	–	(337,761)
Carrying amount as at 1 July 2008	4,789	457,244	24,023	14,034	1,242	823,041	1,324,373
Additions	257	17,272	9,896	11,283	338	542,455	581,501
Disposals	–	–	(2,478)	(8)	(44)	–	(2,530)
Transfers	417	–	3,734	3,547	–	(7,698)	–
Depreciation and amortisation	(1,383)	(28,198)	(6,312)	(8,220)	(298)	–	(44,411)
Carrying amount as at 30 June 2009	4,080	446,318	28,863	20,636	1,238	1,357,798	1,858,933
Gross carrying amount as at 1 July 2009	10,917	747,315	55,362	60,955	1,850	1,357,798	2,234,197
Accumulated depreciation and amortisation	(6,837)	(300,997)	(26,499)	(40,319)	(612)	–	(375,264)
Carrying amount as at 1 July 2009	4,080	446,318	28,863	20,636	1,238	1,357,798	1,858,933
Additions	52	360,456	5,358	24,501	39	49,727	440,133
Disposals	(28)	(1)	–	(193)	(9)	–	(231)
Transfers	82	1,290,979	25,444	37,308	–	(1,353,813)	–
Depreciation and amortisation	(567)	(56,022)	(7,815)	(14,672)	(314)	–	(79,390)
Carrying amount as at 30 June 2010	3,619	2,041,730	51,850	67,580	954	53,712	2,219,445

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>14 Intangible assets</b>				
<b>Software intangibles</b>				
At cost	–	–	81,417	17,418
Less: Accumulated amortisation	–	–	(16,946)	(6,162)
Total software intangibles	–	–	64,471	11,256
<b>Software under development</b>				
Free-Flow Tolling Project – at cost	–	–	–	29,741
Other – at cost	–	–	5,581	714
Total software under development	–	–	5,581	30,455
Total intangible assets	–	–	70,052	41,711

#### Reconciliation

	Consolidated		Total \$000
	Software intangibles \$000	Software under development \$000	
Gross carrying amount as at 1 July 2008	4,110	582	4,692
Accumulated amortisation	(2,419)	–	(2,419)
Carrying amount as at 1 July 2008	1,691	582	2,273
Additions	2,290	40,891	43,181
Disposals	–	–	–
Transfers	11,018	(11,018)	–
Amortisation	(3,743)	–	(3,743)
Carrying amount as at 30 June 2009	11,256	30,455	41,711
Gross carrying amount as at 1 July 2009	17,418	30,455	47,873
Accumulated amortisation	(6,162)	–	(6,162)
Carrying amount as at 1 July 2009	11,256	30,455	41,711
Additions	634	38,491	39,125
Disposals	–	–	–
Transfers	63,365	(63,365)	–
Amortisation	(10,784)	–	(10,784)
Carrying amount as at 30 June 2010	64,471	5,581	70,052

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 15 Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Deferred tax assets and liabilities are attributable to the following:						
<b>Consolidated</b>						
Property, plant and equipment	–	–	(34,860)	(35,511)	(34,860)	(35,511)
Intangible assets	–	–	(1,295)	(213)	(1,295)	(213)
Employee benefits	779	1,437	–	–	779	1,437
Other items	1,756	160	–	–	1,756	160
Tax value of loss carry-forwards recognised	33,620	34,127	–	–	33,620	34,127
Tax assets/(liabilities)	36,155	35,724	(36,155)	(35,724)	–	–
Set off of tax	(36,155)	(35,724)	36,155	35,724	–	–
Net tax assets	–	–	–	–	–	–
<b>Company</b>						
Tax value of loss carry-forwards recognised	33,620	34,127	–	–	33,620	34,127

### Unrecognised deferred tax assets

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Deferred tax assets have not been recognised in respect of the following items:				
Tax losses	121,068	89,262	121,068	89,262

The tax losses do not expire under current tax legislation, although the use of tax losses incurred in the period 1997–2003, totalling \$55,907,000 (2009: \$55,907,000), is restricted. Deferred tax assets have only been recognised in respect of these items to the extent that it is probable that future taxable profit will be available against which they can be deducted.

15 Deferred tax assets and liabilities (cont.)

Movements in recognised temporary differences during the year

	Property, plant and equipment	Intangible assets	Employee benefits	Other temporary differences	Tax value of loss carry- forwards	Net tax assets
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated</b>						
Balance as at 1 July 2008	(19,415)	–	1,397	127	17,891	–
Recognised in income	(16,096)	(213)	40	33	16,236	–
Recognised in equity	–	–	–	–	–	–
Balance as at 30 June 2009	(35,511)	(213)	1,437	160	34,127	–
Balance as at 1 July 2009	(35,511)	(213)	1,437	160	34,127	–
Recognised in income	651	(1,082)	(658)	1,596	(507)	–
Recognised in equity	–	–	–	–	–	–
Balance as at 30 June 2010	(34,860)	(1,295)	779	1,756	33,620	–
<b>Company</b>						
Balance as at 1 July 2008	–	–	–	–	17,891	17,891
Recognised in income	–	–	–	–	16,236	16,236
Recognised in equity	–	–	–	–	–	–
Balance as at 30 June 2009	–	–	–	–	34,127	34,127
Balance as at 1 July 2009	–	–	–	–	34,127	34,127
Recognised in income	–	–	–	–	(507)	(507)
Recognised in equity	–	–	–	–	–	–
Balance as at 30 June 2010	–	–	–	–	33,620	33,620

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>16 Other assets</b>				
<b>Current</b>				
Prepayments	–	–	1,331	601
<b>Non-current</b>				
Deferred expenditure (Infrastructure off lease)	–	–	57,552	57,552
Less: Accumulated amortisation	–	–	(25,923)	(22,910)
Total deferred expenditure	–	–	31,629	34,642
<b>Reconciliation</b>				
Gross carrying amount at beginning of year	–	–	57,552	57,552
Less: Accumulated amortisation	–	–	(22,910)	(19,897)
Carrying amount at beginning of year	–	–	34,642	37,655
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation	–	–	(3,013)	(3,013)
Carrying amount at end of year	–	–	31,629	34,642
<b>17 Trade and other payables</b>				
<b>Current</b>				
Trade payables	–	–	3,847	5,555
Amounts payable to controlled entities	36,599	5,300	–	–
Other payables and accruals	–	–	60,285	79,216
	36,599	5,300	64,132	84,771

The Consolidated Entity's exposure to liquidity risk related to trade and other payables is disclosed in Note 27.

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>18 Interest bearing liabilities</b>				
This note provides information about the contractual terms of the Consolidated Entity's interest-bearing borrowings which are denominated in Australian dollars and measured at amortised cost. The Consolidated Entity's exposure to interest rate and liquidity risks is disclosed in Note 27.				
<b>Current</b>				
Queensland Treasury Corporation loans – unsecured	–	–	5,000	5,000
<b>Non-current</b>				
Queensland Treasury Corporation loans – unsecured	–	–	2,804,289	2,412,784
Borrowings included in current liabilities comprise amounts expected to be repaid within one year. Borrowings included in non-current liabilities comprise amounts drawn under facilities not due to mature within one year and not expected to be repaid within one year.				
<b>Terms and debt repayment schedule</b>				
The carrying amount of all interest bearing liabilities is equal to their face value. They comprise borrowings to fund:				
Gateway Motorway infrastructure assets	–	–	2,120,350	1,787,973
Logan and Gateway Extension Motorway infrastructure assets	–	–	557,384	498,254
Port of Brisbane Motorway infrastructure assets	–	–	100,614	106,097
Full free-flow tolling systems	–	–	30,941	25,460
	–	–	2,809,289	2,417,784

Borrowings to fund the Gateway Motorway infrastructure assets are required to be repaid from surplus cash flow generated by these assets, and to be repaid in full on the expiry of the franchise period for the Gateway Motorway infrastructure assets in 2041. The weighted average interest rate on these borrowings at 30 June 2010 is 6.22% p.a. (2009: 5.98% p.a.). QTC funds these borrowings from a Client Specific Pool with a current duration of 7.48 years (2009: 7.15 years).

Borrowings to fund the Logan and Gateway Extension Motorway infrastructure assets are required to be repaid from surplus cash flow generated by these assets, and to be repaid in full on the expiry of the franchise period for the Logan and Gateway Extension Motorway infrastructure assets in 2018. The weighted average interest rate on these borrowings at 30 June 2010 is 6.35% p.a. (2009: 6.19% p.a.). QTC funds these borrowings from a Client Specific Pool with a current duration of 6.03 years (2009: 5.60 years).

Borrowings to fund the Port of Brisbane Motorway infrastructure assets are required to be repaid by instalments, and to be repaid in full on the expiry of the franchise period for the Port of Brisbane Motorway infrastructure assets in 2033. The weighted average interest rate on these borrowings at 30 June 2010 is 6.28% p.a. (2009: 6.03% p.a.). QTC funds these borrowings from its 15-Year Debt Pool.

Borrowings to fund the full free-flow tolling systems are required to be repaid from surplus cash flow generated by these assets, and to be repaid in full in 2018, ten years after the establishment of the borrowing facility. The weighted average interest rate on these borrowings at 30 June 2010 is 5.93% p.a. (2009: 5.66% p.a.). QTC funds these borrowings from its 9-Year Debt Pool.

The higher interest rate applicable to all of these borrowings at 30 June 2010 results from the State's decision to accept the Commonwealth's offer to guarantee debt instruments issued by QTC.

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>18 Interest bearing liabilities (cont.)</b>				
<b>Financing arrangements</b>				
The Consolidated Entity has access to the following lines of credit:				
Total facilities available				
Bank overdraft	–	–	100	100
Queensland Treasury Corporation loans	–	–	(c)	(c)
Facilities utilised at reporting date				
Bank overdraft	–	–	–	–
Queensland Treasury Corporation loans	–	–	2,809,289	2,417,784
Facilities not utilised at reporting date				
Bank overdraft	–	–	100	100
Queensland Treasury Corporation loans:				
Forward loan agreement	–	–	–	76,865
Other loans	–	–	(c)	(c)

**(a) Bank overdrafts**

The bank overdraft facilities made available to controlled entities are secured by an irrevocable order from one of the controlled entities, The Gateway Bridge Company Limited. Interest on bank overdrafts is charged at prevailing market rates.

**(b) Queensland Treasury Corporation forward loan agreements**

A controlled entity, The Gateway Bridge Company Limited, entered into forward loan agreements with Queensland Treasury Corporation during 2006/07 under which it committed to borrow a proportion of the amount required to fund the Gateway Upgrade Project over the period to 30 June 2010, comprising \$1,288,254,000 borrowed in 2006/07–2009/10. The repayment of amounts borrowed under these agreements is guaranteed by the Queensland Department of Transport & Main Roads for and on behalf of the State of Queensland.

Interest was initially charged at fixed rates. The weighted average interest rate payable at 30 June 2009 on amounts not drawn down was 6.02% p.a.

**(c) Other Queensland Treasury Corporation loans**

There are no fixed limits on the amount or term of facilities made available to controlled entities by Queensland Treasury Corporation (QTC): the repayment of amounts borrowed under these facilities is guaranteed by the Queensland Department of Transport & Main Roads for and on behalf of the State of Queensland. Actual borrowings by each controlled entity are reviewed annually to assess the controlled entity's ability to repay the borrowings within the remaining term of the relevant franchise period.

Interest is charged at rates determined by QTC, based on market rates, and are reviewed periodically at intervals determined by QTC. The weighted average interest rate at 30 June 2010 is 6.25% p.a. (2009: 6.02% p.a.).

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>19 Employee benefits</b>				
<b>Current</b>				
Salaries and wages accrued	–	–	848	762
Redundancy payments accrued	–	–	–	1,450
Annual leave liability	–	–	1,377	1,433
Long service leave liability	–	–	417	909
	–	–	2,642	4,554
<b>Non-current</b>				
Annual leave liability	–	–	412	721
Long service leave liability	–	–	391	277
	–	–	803	998
<b>20 Share capital</b>				
187,527 (2009: 177,466) ordinary shares, issued and fully paid	187,520	177,459	187,520	177,459
<b>Movements during the year</b>				
Balance at beginning of year:				
177,466 (2009: 177,466) shares	177,459	177,459	177,459	177,459
Shares issued:				
10,061 shares issued for cash pursuant to an application by an existing shareholder	10,061	–	10,061	–
Balance at end of year	187,520	177,459	187,520	177,459

**Terms and conditions**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation. Shares do not have a par value.

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>21 Other contributed equity</b>				
Application moneys received for ordinary shares	10,138	10,061	10,138	10,061
Movements during the year				
Balance at beginning of year:	10,061	–	10,061	–
Application moneys received	10,138	10,061	10,138	10,061
Shares issued	(10,061)	–	(10,061)	–
Balance at end of year	10,138	10,061	10,138	10,061

Other contributed equity comprises amounts received from existing shareholders for the issue of additional shares, for which formal applications have yet to be received.

<b>22 Accumulated losses</b>				
Accumulated losses at beginning of year	(63,782)	(53,277)	(629,423)	(622,591)
Total comprehensive income for the year	(41,944)	(10,505)	(85,181)	(6,832)
Accumulated losses at end of year	(105,726)	(63,782)	(714,604)	(629,423)

<b>23 Notes to the statements of cash flows</b>				
<b>Cash flows from operating activities</b>				
Profit/(loss) for the year	(41,944)	(10,505)	(85,181)	(6,832)
Add/(less):				
Loss on disposal of non-current assets	–	–	208	2,467
Depreciation and amortisation	–	–	93,091	48,860
	(41,944)	(10,505)	8,118	44,495
Change in assets and liabilities				
(Increase)/decrease in trade and other receivables	–	24,141	(11,003)	3,054
(Increase)/decrease in prepayments	–	–	(730)	20
(Increase)/decrease in deferred tax assets and liabilities	507	(16,236)	–	–
Increase/(decrease) in trade and other payables	31,299	(7,461)	2,389	5,430
Increase/(decrease) in employee benefits	–	–	(2,107)	436
Net cash provided by/(used in) operating activities	(10,138)	(10,061)	(3,333)	53,435

	Company		Consolidated	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>24 Directors' remuneration</b>				
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party comprises:				
Short-term employee benefits	–	–	171,006	152,623
Other long-term benefits	–	–	–	–
Post-employment benefits (Superannuation contributions)	–	–	96,063	110,447
Share-based payments	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>267,069</b>	<b>263,070</b>

Directors' income does not include any allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses insurance contracts, as the contracts prohibit, to the extent permitted by law, disclosure of the amounts of the premiums paid.

	Company	
	2010 No.	2009 No.
The number of Directors of the Company whose income from the Company or any related party falls within the specified bands is as follows:		
\$0-\$9,999	2	2
\$20,000-\$29,999	1	1
\$30,000-\$39,999	5	5
\$60,000-\$69,999	–	1
\$70,000-\$79,999	1	–

	Company		Consolidated	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>25 Executive remuneration</b>				
Total income paid or payable, or otherwise made available, to the key management personnel (other than Directors) of the Consolidated Entity from the Company or any related party comprises:				
Short-term employee benefits	–	–	1,145,373	1,062,121
Other long-term benefits	–	–	–	–
Post-employment benefits (Superannuation contributions)	–	–	114,185	104,021
Share-based payments	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>1,259,558</b>	<b>1,166,142</b>

This remuneration comprises compensation in relation to their service as employees of the Consolidated Entity.

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 26 Financial risk management

### Overview

The Company and Consolidated Entity have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's and Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit & Risk Management Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company and Consolidated Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Consolidated Entity's activities. The Company and Consolidated Entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit & Risk Management Committee oversees how management monitors compliance with the Company's and Consolidated Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Consolidated Entity. The Audit & Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Management Committee.

### Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from

customers. For the Company it arises from receivables due from controlled entities.

At the reporting date there were no significant concentrations of credit risk.

### Trade and other receivables

The Company's and Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Consolidated Entity's account and pass customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. There are no individually significant customers. Geographically, all of the Consolidated Entity's revenue is attributable to transactions in Queensland, and approximately 94% of its revenue is attributable to customers who establish accounts or passes prior to their travel on the Consolidated Entity's toll roads.

Management has established a credit policy under which each customer who seeks credit from the Consolidated Entity is analysed individually for creditworthiness (based on external references and ratings) before the Consolidated Entity's standard payment terms and conditions for credit customers are offered. Customers that fail to meet the Consolidated Entity's benchmark creditworthiness may transact with the Consolidated Entity on its standard terms, i.e. on a prepayment basis. The Consolidated Entity does not require collateral in respect of financial assets.

Losses on accounts and passes have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including aging profile, maturity and existence of previous financial difficulties.

The Company and Consolidated Entity have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individual exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

### Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

## 26 Financial risk management (cont.)

### Liquidity risk (cont.)

Typically the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of less than five days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Consolidated Entity maintains the lines of credit disclosed in Note 18.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Interest rate risk

The Consolidated Entity adopts a policy of ensuring that more than 90% of its exposure to changes in interest rates on borrowings is on a

fixed rate basis. QTC funds the majority of the Consolidated Entity's borrowings from a Client Specific Pool with a current duration of 7.48 years (2009: 7.15 years), and funds the remaining borrowings from a Client Specific Pool with a current duration of 6.03 years (2009: 5.60 years) and from its 15-Year and 9-Year Debt Pools.

### Capital management

There are no fixed limits on the amount or term of borrowing facilities made available to controlled entities by Queensland Treasury Corporation (QTC); the repayment of amounts borrowed under these facilities is guaranteed by the Queensland Department of Transport & Main Roads for and on behalf of the State of Queensland. Additional equity is contributed by shareholders as required to fund the repayment of borrowings.

There were no changes in the Consolidated Entity's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>27 Financial instruments</b>				
(a) Credit risk exposure				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Cash and cash equivalents	–	–	16,679	120,536
Trade and other receivables	94,893	94,893	20,784	9,781
<b>Total</b>	<b>94,893</b>	<b>94,893</b>	<b>37,463</b>	<b>130,317</b>
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Account and pass customers	–	–	6,832	4,322
Motorists with no arrangements to pay	–	–	4,107	–
Department of Transport & Main Roads	–	–	2,869	2,873
Australian Taxation Office	–	–	2,627	2,441
Other	–	–	4,349	145
<b>Total</b>	<b>–</b>	<b>–</b>	<b>20,784</b>	<b>9,781</b>

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 27 Financial instruments (cont.)

### (a) Credit risk exposure (cont.)

#### Impairment losses

None of the Company's receivables are past due (2009: \$Nil). The aging of the Consolidated Entity's trade receivables at the reporting date was:

	Gross		Impairment	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Not past due	8,508	2,651	45	–
Past due 0–30 days	2,260	3,646	955	16
Past due 31–120 days	3,003	635	1,551	60
Past due 121 days to one year	9,158	515	6,661	204
More than one year	91	98	–	70
<b>Total</b>	<b>23,020</b>	<b>7,545</b>	<b>9,212</b>	<b>350</b>

The movement in the allowance for impairment in respect of trade receivables during the year was:

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of year	–	–	350	120
Impairment loss recognised	–	–	8,862	230
<b>Balance at end of year</b>	<b>–</b>	<b>–</b>	<b>9,212</b>	<b>350</b>

Based on historical default rates, the Consolidated Entity believes that no impairment allowance is necessary in respect of trade receivables due from the Department of Transport & Main Roads and the Australian Taxation Office.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Consolidated Entity is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

## 27 Financial instruments (cont.)

### (b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Consolidated				
	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000
<b>2010</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	64,132	64,132	64,132	–	–
Interest-bearing liabilities	2,809,289	3,767,044	16,689	66,758	3,683,597
Future loan commitments	–	–	–	–	–
Employee benefits	3,445	3,445	2,642	803	–
<b>Total</b>	<b>2,876,866</b>	<b>3,834,621</b>	<b>83,463</b>	<b>67,561</b>	<b>3,683,597</b>
<b>2009</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	84,771	84,771	84,771	–	–
Interest-bearing liabilities	2,417,784	3,181,468	15,441	104,032	3,061,995
Future loan commitments	–	92,550	–	–	92,550
Employee benefits	5,552	5,552	4,554	998	–
<b>Total</b>	<b>2,508,107</b>	<b>3,364,341</b>	<b>104,766</b>	<b>105,030</b>	<b>3,154,545</b>
	Company				
	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000
<b>2010</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	36,599	36,599	36,599	–	–
<b>2009</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	5,300	5,300	5,300	–	–

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 27 Financial instruments (cont.)

### (c) Fair value of financial assets and liabilities

The net fair value of the Consolidated Entity's financial assets and liabilities are equivalent to the total carrying amounts as per the statement of financial position except for the net fair value of interest-bearing liabilities, which are based on market prices.

	2010		2009	
	Carrying Value \$000	Fair Value \$000	Carrying Value \$000	Fair Value \$000
<b>Consolidated</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	16,679	16,679	120,536	120,536
Trade and other receivables	20,784	20,784	9,781	9,781
<b>Total</b>	<b>37,463</b>	<b>37,463</b>	<b>130,317</b>	<b>130,317</b>
<b>Financial Liabilities</b>				
Trade and other payables	64,132	64,132	84,771	84,771
Interest-bearing liabilities	2,809,289	2,899,051	2,417,784	2,370,069
Employee benefits	3,445	3,445	5,552	5,552
<b>Total</b>	<b>2,876,866</b>	<b>2,966,628</b>	<b>2,508,107</b>	<b>2,460,392</b>
<b>Company</b>				
<b>Financial Assets</b>				
Trade and other receivables	94,893	94,893	94,893	94,893
Other financial assets	18	18	18	18
<b>Total</b>	<b>94,911</b>	<b>94,911</b>	<b>94,911</b>	<b>94,911</b>
<b>Financial Liabilities</b>				
Trade and other payables	36,599	36,599	5,300	5,300

### Estimation of fair values

#### Interest-bearing liabilities

The fair value of interest-bearing liabilities is calculated at the payout value at the reporting date. The borrowings are carried at their 'book' value as the Consolidated Entity does not intend to settle the borrowings as at the reporting date.

#### Receivables/Payables

Non-current amounts receivable by the Company are receivable on twelve months notice; all other receivables and payables are expected to be received/paid within one year. The notional amount of all receivables and payables is deemed to reflect fair value.

### (d) Sensitivity analysis

In managing interest rate risk the Consolidated Entity aims to reduce the impact of short-term fluctuations on the Consolidated Entity's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.

At 30 June 2010, it is estimated that a general increase of one percentage point in interest rates payable by the Consolidated Entity would decrease the Consolidated Entity's profit before tax by approximately \$27,983,000 (2009: \$22,972,000). The Consolidated Entity adopts a policy of ensuring that more than 90% of its exposure to changes in interest rates on borrowings is on a fixed rate basis (Note 26).

## 28 Operating leases

### Leases as lessee

The Company leases the original Gateway Bridge and Logan Motorway road corridors and a number of office facilities under operating leases. The road corridor leases typically run for a period of thirty years, do not require the payment of lease rentals and may be extended by agreement with the State.

The office facilities leases run for periods of up to ten years, with an option to renew the lease after that date. Lease payments are typically increased every three years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

During the year ended 30 June 2010 \$2,054,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2009: \$1,123,000).

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>29 Capital and other commitments</b>				
Expenditure commitments (including GST) not brought to account are as follows:				
Capital works:				
Payable not later than one year	–	–	241,299	285,230
Payable later than one year, but less than five years	–	–	–	65,863
Payable later than five years	–	–	–	–
Non-cancellable operating lease rentals:				
Payable not later than one year	–	–	1,777	1,516
Payable later than one year, but less than five years	–	–	4,770	6,254
Payable later than five years	–	–	1,854	1,596
Other:				
Payable not later than one year	–	–	2,445	5,484
Payable later than one year, but less than five years	–	–	–	4,220
Payable later than five years	–	–	–	–
	–	–	252,145	370,163

## 30 Contingent liabilities and contingent assets

There are no significant contingent liabilities or contingent assets not provided for in the financial report.

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

	Company	
	2010 %	2009 %
<b>31 Controlled entities</b>		
Entities in the Consolidated Entity, and the Company's total equity interest in each controlled entity, comprise:		
Parent entity		
Queensland Motorways Limited		
Controlled entities		
The Gateway Bridge Company Limited	100	100
Logan Motorway Company Limited	100	100
Port Motorway Limited	100	100
Queensland Motorways Management Pty. Ltd.	100	100
Bridge Securities Pty. Ltd.	100	100
Gateway Superannuation Pty. Ltd.	100	100

The Company and all its controlled entities were incorporated in Australia. The ultimate parent entity is the Queensland Department of Transport & Main Roads.

The Gateway Bridge Company Limited operates the Gateway Motorway toll road. Logan Motorway Company Limited operates the Logan and Gateway Extension Motorway toll roads. Port Motorway Limited operates the Port of Brisbane Motorway. Queensland Motorways Management Pty. Ltd. provides tolling, electronic toll collection and management services to the other entities in the Consolidated Entity. Bridge Securities Pty. Ltd. and Gateway Superannuation Pty. Ltd. are dormant and have never traded.

## 32 Related party disclosures

### Key management personnel

Key management personnel are defined by AASB 124 Related Party Disclosures as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. These include all Directors and key executives within the Consolidated Entity. All disclosures listed relate to key management personnel.

### Directors

The names of each person holding the position of Director of the Company during the financial year are Messrs D.M. Gray, R.A. Grice, L. Casagrande, P.J. Lynch, D.J. Muir, I.K. Munro, A.B. Tesch and R.N. Wensley, and Ms C.A. Ford.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing at the reporting date.

### Directors' shareholdings

Directors of the Company are the registered holders of the following shares of entities within the Consolidated Entity:

	Company		Consolidated	
	2010 No.	2009 No.	2010 No.	2009 No.
Acquired from entities within the Consolidated Entity during the year:				
Ordinary shares in the Company	10,061	–	10,061	–
On issue at reporting date:				
Ordinary shares in the Company	187,523	177,462	187,523	177,462

The Directors of the Company have no beneficial interest in these shares: the beneficial owner of all of the Company's issued shares is the State of Queensland.

### Key management personnel compensation

The key management personnel compensation included in Note 6 *Employee benefits and related expenses* is disclosed separately under Notes 24 *Directors' remuneration* and 25 *Executive remuneration*.

### Loans to key management personnel

There are no loans issued to key management personnel during the year ended 30 June 2010 (2009: \$Nil). As at 30 June 2010 there are no loans outstanding to key management personnel (2009: \$Nil).

### Transactions with key management personnel

In addition to their salaries, the Consolidated Entity also provides non-cash benefits to key management personnel, and contributes to a post-employment accumulation superannuation fund on their behalf. All key management personnel are entitled to receive 9% of their salary as a contribution into the accumulation fund. Details of other transactions with key management personnel are included below.

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 32 Related party disclosures (cont.)

### Directors' transactions with the Company or its controlled entities

The majority of shares in the Company are held by a Director in his capacity as Associate Director-General of Transport & Main Roads. Accordingly, the Department of Transport & Main Roads was a director-related entity throughout the year.

The aggregate amounts recognised during the year relating to Directors and their director-related entities, other than Directors' remuneration, comprise the following amounts received from and paid to the Queensland Department of Transport & Main Roads:

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Income:</b>				
Toll revenue	–	–	182	268
Cost recoveries	–	–	–	14
	–	–	182	282
<b>Expenditure:</b>				
Franchise fees	–	–	4,596	4,485
Repairs and maintenance	–	–	14,246	6,760
Consultancy fees	–	–	166	229
Acquisition of property, plant and equipment	–	–	37,279	7,676
	–	–	56,287	19,150
<b>Contributed equity:</b>				
Share application moneys	10,138	10,061	10,138	10,061
Amounts receivable from and payable to Directors and their director-related entities at the reporting date comprise:				
<b>Receivables:</b>				
Trade receivables	–	–	2,898	2,892
<b>Payables:</b>				
Trade payables	–	–	2,711	589
Other payables and accruals	–	–	3,689	4,938
	–	–	6,400	5,527

From time to time, Directors of the Company or its controlled entities, or their director-related entities, may purchase services from the Consolidated Entity. These purchases are on the same terms and conditions as those entered into by other Consolidated Entity employees and are trivial or domestic in nature.

### 32 Related party disclosures (cont.)

#### Other related party transactions

The only related parties of the Company which are not Directors or their director-related entities are its controlled entities. During the year, the Company entered into various transactions with its controlled entities. Details of these transactions are set out elsewhere in these financial statements. Except where otherwise indicated, these transactions were entered into on normal commercial terms and conditions.

The aggregate amounts included in the profit/ (loss) from ordinary activities before income tax equivalents that resulted from transactions with non-director related parties are:

	Company		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Income	–	–	–	–
Expenditure:				
Subsidies to controlled entities	10,138	10,061	–	–
Aggregate amounts receivable from and payable to non-director related parties at the reporting date comprise:				
Receivables:				
Current loan advances to controlled entities	18,149	18,149	–	–
Non-current loan advances to controlled entities	76,744	76,744	–	–
	94,893	94,893	–	–
Payables:				
Current loan advances from controlled entities	36,599	5,300	–	–

# Notes to and forming part of the financial statements

For the year ended 30 June 2010

## 33 Going concern – Economic dependency

Whilst the Consolidated Entity has a deficiency in total equity, the financial statements have been prepared on the going concern basis, as:

- (i) there is no current intention to cease operations; and
- (ii) the State of Queensland has guaranteed the payment of liabilities arising under contracts entered into in accordance with the road franchise agreement and has thus undertaken to meet any deficiency ultimately realised.

The ability of the Consolidated Entity to repay debt without recourse to the State guarantee is dependent on the ability of the Consolidated Entity to periodically review tolls and franchise fees, extend current franchise periods or receive additional income from other sources (including the Queensland Department of Transport & Main Roads). These are matters for decision by Government.

## 34 Future developments

### Disposal by the State of interests in Queensland Motorways

On 2 June 2009 the Queensland Government announced that it would offer a number of State-owned assets for sale, including Queensland Motorways Limited and the State's proposed Port of Brisbane Motorway Upgrade Project. The *Infrastructure Investment (Assets Restructuring and Disposal) Act 2009*, passed by the State Parliament on 22 June 2009, grants extensive powers to the Queensland Treasurer to direct the restructuring, disposal or other processes necessary for the disposal of all or part of the Consolidated Entity's businesses, assets and liabilities.

In December 2009 the Government completed its scoping study in relation to the structure and timing of the sale of the Queensland Motorways assets, and announced its intention that:

- tolling rights on the Gateway, Logan and Gateway Extension Motorways will be leased via a franchise agreement for a period of up to 50 years;
- the State will retain ownership of the Gateway Bridges, the motorway land and the roads;
- the new franchise agreement will include maintenance responsibilities for the road and bridge infrastructure over the life of the franchise;
- the Port of Brisbane Motorway will not be included in the new franchise agreement; and
- conclusion of the transaction is targeted for the end of the 2011 calendar year.

At the reporting date, preliminary work has commenced on drafting of the new franchise agreement. Implementation of significant components of the new agreement is targeted for the end of the 2010 calendar year.

Although it is expected, based on the Government's December 2009 announcements, that ownership of the Port of Brisbane Motorway will be transferred to the State following implementation of the new franchise agreement, significant uncertainty remains in relation to the timing and impact of this potential transfer. There is also still significant uncertainty in relation to other aspects of the sale process.

Accordingly, these financial statements have been prepared on a going concern basis and the Consolidated Entity's non-current assets have not been reclassified as 'held for sale'.

## 35 Events occurring after reporting date

### Toll increases

Toll charges for motorcycles, cars and commercial vehicles using the Gateway, Logan and Gateway Extension Motorways changed in accordance with State Government policy from 1 July 2010, increasing by an average 31.5%.

# Directors' declaration

In the opinion of the Directors of Queensland Motorways Limited:

- (a) the financial statements and notes, set out on pages 42 to 78, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2010 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**D.M. Gray**  
Chairman



**R.A. Grice AO**  
Director

Brisbane  
28 July 2010

# Independent auditor's report

To the members of Queensland Motorways Limited

## Matters relating to the electronic presentation of the audited financial report

The audit report relates to the financial report of Queensland Motorways Limited for the financial year ended 30 June 2010 included on Queensland Motorways Limited's website. The Directors are responsible for the integrity of the Company's website. We have not been engaged to report on the integrity of Queensland Motorways Limited's website. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Queensland Motorways Limited, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD ROM.

## Report on the financial report

I have audited the accompanying financial report of Queensland Motorways Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

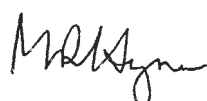
The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the Directors of Queensland Motorways Limited on 26 July 2010, would be in the same terms if provided to the Directors, as at the date of this auditor's report.

### Auditor's opinion

In my opinion, the financial report of Queensland Motorways Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



M.R. Hyman CA  
as Delegate of the Auditor-General of Queensland



Queensland Audit Office  
Brisbane

# Glossary of terms and index

<b>C</b>		
<b>Central System</b>	ii, 18–19	
Systems and technology which provide back office tolling and operational function.		
<b>Commercialisation Project</b>	ii	
Internal project to oversee the key tasks associated with each workstream relating to the sale.		
<b>Company</b>	41–80 (Financial Statements)	
Queensland Motorways Limited		
<b>Consolidated Entity</b>	41–80 (Financial Statements)	
The Company and its controlled entities		
<b>Corporate Group</b>	15–16	
Comprising the Human Resources, Financial Assurance, Financial Operations and Corporate Affairs divisions.		
<b>E</b>		
<b>Enterprise Agreement</b>	iii	
Agreement being negotiated between Queensland Motorways and employees about terms and conditions of employment.		
<b>F</b>		
<b>Framework Agreement</b>	iii, 4, 15	
Formal agreement between Queensland Motorways, the State Government and unions in relation to Queensland Motorways.		
<b>Free-Flow Tolling</b>	ii, 3–4, 14, 18–19	
A no-stopping completely electronic tolling system.		
<b>G</b>		
<b>GUP</b>	ii, 3, 9–11, 16, 21–24	
Gateway Upgrade Project		
<b>GUP Southern Extension</b>	ii, 3, 9–11	
Additional four kilometres of upgrades between Mt Gravatt Capalaba Road and the Pacific Motorway on the Gateway Motorway being completed as part of the Gateway Upgrade Project.		
<b>H</b>		
<b>HR</b>	15–16	
Human Resources Division		
<b>I</b>		
<b>ITS</b>	iii, 4, 9, 11, 14	
Intelligent Transport Systems		
<b>IVR</b>	14	
Interactive Voice Recognition		
<b>L</b>		
<b>LAVJ</b>	9, 11, 21	
Leighton Abigroup Joint Venture principal contractors for the Gateway Upgrade Project.		
<b>O</b>		
<b>Operations Group</b>	12–14	
Comprising the Customer Service & Marketing, Tolling Operations and Engineering Services divisions.		
<b>P</b>		
<b>PMO</b>	18–19	
Project Management Office Division		
<b>Q</b>		
<b>Queensland Motorways</b>	41–80 (Financial Statements)	
The Company and its controlled entities		
<b>QTC</b>	6, 63–64	
Queensland Treasury Corporation		
<b>R</b>		
<b>REAL</b>	16	
Respectful Effective Accountable Leadership Program		
<b>Roadside System</b>	ii	
Equipment and technologies which capture vehicle movements on the roadside.		
<b>T</b>		
<b>Technology &amp; Development Group</b>	18–19	
Comprising the Project Management Office, Technology and Business Improvement & Development divisions.		

## **Directory**

### **Registered office and principal place of business**

Queensland Motorways Corporate Office  
7 Brandl Street, Eight Mile Plains, Queensland 4113

### **Postal address**

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