SUNSHINE MOTORWAY

Sunshine Motorway Company Limited

ACN: 010 821 020

Annual Report for the year ended 30 June 1996

SUNSHINE MOTORWAY

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Structure and Operations

Corporate Mission	The Sunshine Motorway Company Limited is effectively controlled by the terms of the Agreement dated 15 November 1988 and Variation Agreements dated 8 March 1996 and 26 June 1996, between the company and the State of Queensland and accordingly the company's over-riding mission is to fulfil its obligations as detailed in those Agreements.
Directors	Mr E F F Finger, AO, BE, M Eng Sc, D Uni, (QUT), FIE Aust, FAIM (Chairman) Mr L Casagrande, Dott Ing (Padua) Mr B J Flannery B E (Mining) Ms S A D Israel, B Bus, ASCPA Mrs A F Ward, B Com, CPA Mr K W Witney, B Com, FAIBF, CPA, FAICD Mr J T Woods, ISO, M Sc, F Aus IMM, FAIE
Secretary	Mr J H Barton, B Com, CPA
Manager	Mr S A Schollay, C Eng, F I Mar E
Registered Office	c/- KPMG Level 30, Central Plaza One 345 Queen Street, Brisbane, Q. 4000 Telephone (07) 3233 3111 Facsimile (07) 3220 0107
Operations Office	c/- The Gateway Bridge Company Limited Administration Road, Murarrie, Q. 4172 Telephone (07) 3390 8633 Facsimile (07) 3390 7242
Postal Address	PO Box 195 Cannon Hill Q. 4170
Issued Capital	Five (5) $1 fully paid ordinary shares owned by Queensland Motorways Limited.
Bankers	Queensland Treasury Corporation Commonwealth Bank of Australia
Solicitors	Middletons Moore & Bevins Clayton Utz
Auditors	Auditor-General of Queensland

SUNSHINE MOTORWAY

Structure and Operations

Agreement with the State of Queensland

Key features of the Sunshine Motorway Agreement dated 15 November 1988 are:

- A franchise period of thirty (30) years after which date the assets of the company revert to the State of Queensland;
- Toll charges are determined by the Governor in Council or failing it, the Director-General, Department of Main Roads;
- The company shall construct, operate and maintain the Sunshine Motorway;
- The company shall pay the State of Queensland a franchise fee;
- The State shall, if requested by the company and approved by the Governor in Council, provide guarantees or undertaking on terms and conditions approved by the Treasurer in relation to the raising of finance;
- If, at any time during the period of the company's franchise, the company is unable to meet its obligations, the State of Queensland shall make available to the company the amount of the deficiency;
- The company shall at all times maintain and keep the Motorway in a sound and serviceable condition, fit and ready for public traffic and shall operate the Motorway in an efficient manner so as to incur minimum cost and shall comply with all requirements of the Director-General;
- The Director-General shall have the right to appoint at least one person as a director of the company;
- A budget shall not be adopted by the company without the prior approval of the Director-General and each financial year the company shall submit to the Director-General full detailed and audited accounts of the company's operations for that financial year and such other information as the Director-General may require.

Key features of the Variation Agreements dated 8 March 1996 and 26 June 1996 are:

- The company will cease to levy tolls from midnight on 8 March 1996;
- The company and the State of Queensland will as soon as possible negotiate the terms of a variation to the Sunshine Motorway Agreement to provide for the payment of moneys to the company by the State in lieu of the company collecting tolls;
- The State of Queensland will indemnify the company in respect of all loss of toll revenue by the company until the date the parties execute such a variation to the Sunshine Motorway Agreement, or until 3 December 1996, whichever is the earlier.

Key Business Aggregates	**1996 to March 1996**	**1995**
Patronage	6,629,517	8,872,022
Toll Revenue	$6,776,723	$9,167,600
Motorway Investment		
- Stage I	$91,212,613	$96,851,472
- Stage II	$39,717,500	$40,376,309
- Other facilities provided	$15,217,061	$15,217,061

Directors' Report

The Directors have pleasure in presenting their report together with the financial statements of Sunshine Motorway Company Limited for the financial year ended 30 June 1996 and the auditor's report thereon.

Directors

The Directors in office at the date of this report are:

E F F Finger, AO, BE, M Eng Sc, D Univ (QUT), FIE Aust, FAIM
Chairman
Director and Chairman since February 1995.
Age: 58

Mr Finger is a former Director-General of the Department of the Premier, Economic and Trade Development. During a distinguished career with the Queensland Public Service, Mr Finger also held the positions of Co-ordinator-General under the State Development and Public Works Organisation Act and Commissioner for Main Roads.

L Casagrande, Dott Ing (Padua)
Director
Director since February 1995
Age: 54

Mr Casagrande is the Managing Director and major shareholder of Mostia Constructions Pty Ltd. He is the President of the Italian Chamber of Commerce and Industry in Australia (Qld) Inc as well as the President of COMITES (appointed by Italian Government), Committee of Italians Abroad.

B J Flannery, B E (Mining)
Director
Director since February 1995
Age: 45

Mr Flannery is the Managing Director of White Mining Limited, Brisbane. He has many years experience in the development, engineering construction and overall management of open cut and underground mining complexes both in Australia and overseas.

S A D Israel, B Bus, ASCPA
Director
Director since February 1995
Age: 46

Ms Israel is the Financial Controller of the STG Group. She has extensive experience in financial management in senior management positions both in Australia and overseas. Ms Israel is also Deputy Chairperson of the Building and Construction Industry (Portable Long Service Leave) Board and a director of Queensland Electricity Transmission Corporation.

A F Ward, B Com, CPA
Director
Director since February 1995
Age: 58

Mrs Ward is a management consultant and director of Averil Ward and Associates. Mrs Ward has occupied a number of senior management and accounting positions in a large Australian public company.

K W Witney, B Com, FAIBF, CPA, FAICD
Director
Director since February 1995
Age: 54

Mr Witney is the General Manager of ANZ Banking Group and Esanda Finance Corporation in Queensland. He has occupied a number of senior management positions with ANZ Group and has an extensive background in finance and economics. Mr Witney is also a Director of The Office of Economic Development for the City of Brisbane and The Queensland Community Foundation.

J T Woods, ISO, M Sc, F Aus IMM, FAIE
Director
Director since incorporation
Age: 70

Mr Woods is a former Director-General of the Queensland Department of Mines. Following his retirement in 1985 Mr Woods accepted a number of public company directorships.

No Director undertakes any special responsibilities with respect to the company other than the collective corporate responsibilities attributed to the Board of Directors as a whole.

In accordance with the Articles of Association of the company F J Flannery and A F Ward retire by rotation and being eligible offer themselves for re-election.

SUNSHINE MOTORWAY

Directors' Report

Directors' Meetings

The number of directors' meetings held and the number of meetings attended by each of the directors of the company during the financial year are:

Director	No. of Meetings Attended	No. of Meetings Held*
E F F Finger	12	13
L Casagrande	12	13
B J Flannery	10	13
S A D Israel	11	13
A F Ward	12	13
K W Witney	11	13
J T Woods	13	13

* Reflects the number of meetings held during the time the director held office during the year which the director was entitled to attend.

Principal Activities

The principal activities of the company during the financial year were the development and operation of the Sunshine Motorway and other than the removal of tolls from midnight on 8 March 1996 no significant change in the nature of this activity occurred during the financial year.

Result of Operations

	1996 $	1995 $
The operating profit for the financial year	31,734,509	(17,046,504)
Borrowings at the 30 June 1996	186,062,887	224,095,561
Total interest paid for the year	20,347,441	17,656,882
including a performance dividend paid to Queensland Treasury	203,520	273,403

Review of Operations

- The Queensland Government ordered that tolls no longer be levied on the Sunshine Motorway with effect from midnight on 8 March 1996. Works were implemented to ensure public safety at the unmanned toll plazas during the time taken to remove the toll booths and equipment.

  In compliance with that order the company entered into the First and Second Variation Agreements as interim arrangements to protect the company's interests until new terms are negotiated to provide for the company's income in lieu of the collection of tolls.

- A resurfacing programme for Stage 1 of the Sunshine Motorway was commenced during the year with an asphalt overlay on the section adjacent to Bundilla Boulevard. Further asphalt overlays will be carried out on other sections of the Motorway in 1996/97.

- A U-turn arrangement has been constructed at the former Maroochy River toll plaza to allow traffic on the David Low Way to access the Motorway to the north.

- The Sunshine Motorway between the Mooloolah River and the Coolum Interchange was made available in April 1996 for the cycle leg of the Mooloolaba Triathalon.

Dividends

Payment of a dividend is not recommended by the Directors, and no dividend has been declared or paid since the end of the previous financial year.

State of Affairs

The company conducted its affairs in accordance with the Agreement between the State of Queensland and the company dated 15 November 1988 and the Variation Agreements dated 8 March 1996 and 26 June 1996 and it is proposed to renegotiate the Agreement in 1996/97.

In the opinion of the Directors, there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Directors' Interests and Benefits

As at the date of this report the company is a wholly owned subsidiary of Queensland Motorways Limited and none of the Directors has a relevant interest in any shares in the company.

Since the end of the previous financial year, no Director of the company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the financial statements or the fixed salary of a full-time employee of the company or of a related body corporate) because of a contract made by the company or a related body corporate with a Director or with a firm of which a Director is a member, or with an entity in which the

Directors' Report

Director has a substantial financial interest, except any benefit which may be deemed to accrue to Mr E F F Finger, a Director of Thiess Contractors Pty Limited, which company has entered into a D&C contract with a related entity, Logan Motorway Company Limited, for the construction and 10 year maintenance of the Gateway Motorway Extension (part of the Southern Brisbane Bypass Project) in the ordinary course of business.

Contingent Liability

The Queensland Department of Main Roads has yet to finalise all of the costs covering property requirements for the Sunshine Motorway. The amount and timing of any of these costs which are to be borne by the company cannot be estimated with any certainty at this time.

Events Subsequent to Balance Date

The 1996/97 Queensland State Budget announced that following the removal of tolls on the Sunshine Motorway the Government will make a one-off principal repayment of $83.6 million on the company's debt to enable the remainder of the company's debt to be repaid within the original franchise period. The Department of Main Roads will also provide funding, currently $12.6 million per annum, until the debt has been repaid (by June 2016).

There are no other matters or circumstances that have arisen since the end of the financial year and the date of this report that have significantly affected or may significantly affect in subsequent financial years:

- the operation of the company;
- the result of these operations; or
- the state of affairs of the company;

except as referred to in this report or the financial statements.

Likely Developments

The company will continue to manage and upgrade the Sunshine Motorway to provide a safe cost effective transport route on the Sunshine Coast.

Except for the information as otherwise set out in this annual report, it is the opinion of the Directors that the disclosure of further information as to future developments in the operations of the company and the expected results of those operations in subsequent years would prejudice the interests of the company and therefore such information has not been included in this annual report.

Indemnification and Insurance of Directors and Officers

During the financial year the company, or a related body corporate, paid a premium in respect of a contract insuring current directors and officers of the company, or a related body corporate, against certain liabilities.

The Directors have not included details of the nature of the liabilities which may occur or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

The premiums paid cover directors and officers of the company and the Queensland Motorways Limited group. The names of Directors in office during the financial year are outlined in note 14 to the accounts.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the company.

General

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 fall due, the Directors have relied upon Part II Clause 4 of the Agreement between the State of Queensland and the Sunshine Motorway Company Limited dated 15 November 1988, the Variation Agreements dated 8 March 1996 and 26 June 1996 and a debt containment arrangement by the Director-General, Queensland Department of Main Roads, with the Queensland Treasury Corporation to underwrite the repayment of all project debt within an agreed term by contributing funds, if necessary, following annual review of the company's financial position.

The Transport Infrastructure Amendment Act (No 2) 1994 (the Act) came into force on 18 November 1994. This Act repeals the Motorways Agreement Act 1987, however it incorporates transitional provisions to cover the Company's agreement dated 15 November 1988 (the Agreement). Both the Queensland Department of Main Roads and the company intend to enter into a new agreement under the provisions of the Act which will include a similar financial support clause to the one in the current Agreement.

Directors' Report

Signed at Brisbane this twenty fifth day of September 1996 in accordance with a resolution of the Directors made pursuant to Section 310(2) of the Corporations Law.

E. Finger

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E F F Finger
Director

J.T. Woods

....

J T Woods
Director

Auditor General's Report to the members of Sunshine Motorway Company Limited

Scope

I have audited the financial statements, being the Statement by Directors, the Profit and Loss Account, Balance Sheet, Statement of Cash Flows and notes to and forming part of the financial statements of the Sunshine Motorway Company Limited for the financial year ended 30 June 1996 as set out on pages 8 to 21. The directors of the company are responsible for the preparation and presentation of the financial statements and the information they contain. I have audited these financial statements in order to express an opinion on them to the members of the company.

The audit has been conducted in accordance with QAO Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with my understanding of the company's financial position and the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial statements of the Sunshine Motorway Company Limited have been properly drawn up:

(a) so as to give a true and fair view of:

 (i) the company's state of affairs as at 30 June 1996, and the result and cash flows for the financial year ended on that date; and

 (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;

(b) in accordance with:

 (i) the provisions of the Corporations Law; and

 (ii) the applicable Accounting Standards and other mandatory professional reporting requirements.

B M Rollason
Auditor-General
Brisbane
28 October 1996

Statement by Directors

1 In the opinion of the Directors of the Sunshine Motorway Company Limited:

(a) the financial statements as set out on pages 9 to 21 are drawn up so as to give a true and fair view of the result and cash flows for the financial year ended 30 June 1996 and the state of affairs at 30 June 1996 of the company;

(b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

2 The financial statements have been made out in accordance with applicable Accounting Standards and Urgent Issues Group Consensus Views.

Signed in accordance with a resolution of the Directors.

Dated at Brisbane this twenty fifth day of September 1996

E. Finger

....

E F F Finger
Director

J.T. Woods

....

J T Woods
Director

Profit and Loss Account for the year ended 30 June 1996

	Notes	1996 $	1995 $
Operating profit/(loss) before abnormal items and income tax	2A	(21,675,588)	(17,046,504)
Abnormal items	2B	53,410,097	—
Operating profit/(loss) before income tax		31,734,509	(17,046,504)
Income tax attributable to operating loss	15	—	—
Operating profit/(loss) after income tax		31,734,509	(17,046,504)
Accumulated losses at the beginning of the financial year		(95,957,619)	(78,911,115)
Accumulated losses at the end of the financial year		(64,223,110)	(95,957,619)

The profit and loss account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 21.

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Balance Sheet as at 30 June 1996

	Notes	1996 $	1995 $
CURRENT ASSETS			
Cash		90,407	208,280
Receivables	4	1,281,011	82,489
Other	5	2,970	40,500
Total current assets		1,374,388	331,269
NON-CURRENT ASSETS			
Property, plant and equipment	6	108,515,985	114,783,893
Other	7	13,950,213	14,456,973
Total non current assets		122,466,198	129,240,866
Total assets		123,840,586	129,572,135
CURRENT LIABILITIES			
Creditors and borrowings	8	2,000,804	41,434,188
NON-CURRENT LIABILITIES			
Creditors and borrowings	8	186,062,887	184,095,561
Total liabilities		188,063,691	225,529,749
Net liabilities		(64,223,105)	(95,957,614)
SHAREHOLDERS' EQUITY			
Share Capital	9	5	5
Accumulated losses		(64,223,110)	(95,957,619)
Deficiency in shareholders' equity		(64,223,105)	(95,957,614)

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 21.

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Statement of Cash Flows for the year ended 30 June 1996

	Notes	1996 $	1995 $
Cash flows from operating activities			
Cash receipts in the course of operations		9,446,979	9,161,339
Cash payments in the course of operations		(3,342,161)	(4,778,807)
Net cash provided by operating activities	16(ii)	6,104,818	4,382,532
Cash flows from investing activities			
Interest received		13,565	10,152
Payment for property, plant and equipment and facilities provided to the State		(41,884)	(2,180)
Proceeds from sale of non-current assets		5,625	—
Net cash (used in)/provided by investing activities		(22,694)	7,972
Cash flows from financing activities			
Interest free loan received		12,250,000	12,250,000
Repayment of borrowings		(18,900,000)	(17,250,000)
Interest paid		(20,417,324)	(17,656,882)
Proceeds from borrowings		20,867,327	18,363,044
Net cash used in financing activities		(6,199,997)	(4,293,838)
Net increase/(decrease) in cash held		(117,873)	96,666
Cash at the beginning of the financial year		208,280	111,614
Cash at the end of the financial year	16(i)	90,407	208,280

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 21

Notes to and forming part of the financial statements for the year ended 30 June 1996

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, the Corporations Law and Schedule 5 to the Corporations Regulations. They have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The accounting policies have been consistently applied by the company and except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Going concern

Whilst the company has a deficiency in shareholders' equity, the financial statements have been prepared on the basis of a going concern as the State of Queensland will meet any deficiency (Note 12).

(c) Revenue recognition

Toll revenue
Toll revenue comprises revenue earned from vehicles using the Motorway. Toll revenue is recognised when the service is provided or when the fee in respect of services provided is receivable.

Toll indemnity
The State indemnity in respect of all loss of toll revenue by the company is recognised on a monthly basis pending execution of a variation to the company's Agreement.

(d) Income tax

The company adopts the liability method of tax-effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

The company, as a wholly owned subsidiary of Queensland Motorways Limited, a company beneficially owned by the State of Queensland, is subject to the Queensland Taxation Equivalents Regime (TER) from 1 July 1995. The liability to taxation under the TER is calculated substantially on the basis of the Income Tax Assessment Act 1936 (as amended) (ITAA). Accordingly, the company is exempt from Federal taxation pursuant to Section 24AM of the ITAA. Losses of previous years incurred under the Federal tax regime are able to be recouped under the Queensland TER.

Notes to and forming part of the financial statements for the year ended 30 June 1996

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(e) **Property, plant and equipment**

All property, plant and equipment is included in the financial statements at cost less accumulated depreciation.

Depreciation is provided on plant and equipment, so as to write-off the assets progressively over their estimated useful lives. Both diminishing value and straight line methods have been adopted. Assets are first depreciated in the year of acquisition.

Leasehold land, roads, bridges, buildings and facilities provided to the State are amortised on a straight line basis over the period of the franchise, being thirty (30) years from the date of commencement of operations.

(f) **Non-current assets**

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount at balance date.. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(g) **Capitalisation of development costs**

The accounting policy with respect to capitalisation of costs relating to the Motorway construction to the date of practical completion is stated as follows:-

Design and construction expenditure

These items of expenditure have been capitalised in full as part of the cost of road, buildings, bridges and associated facilities;

Interest and borrowing expenses

Interest and borrowing expenses incurred in respect of the acquisition of land and the design and construction of the Motorway have also been capitalised. Interest received on surplus funds deposited on the short term money market during the construction phase is offset against interest capitalised;

Financial advisory fees, legal expenses and insurance

These expenses have been capitalised in full to the extent that they relate directly to the construction of the Motorway.

(h) **Facilities provided to the State**

These costs relate to expenditure incurred in relation to facilities as required by the State and associated resumption costs and improvements on land in which the company has no beneficial interest.

These costs are being amortised over the franchise period.

(i) **Provision for doubtful debts**

The collectibility of debts is assessed at year end and provision made for specific doubtful accounts plus an amount as a general provision.

Notes to and forming part of the financial statements for the year ended 30 June 1996

		1996 $	1995 $
2	**OPERATING LOSS**		
A	**Operating revenue and expenses**		
	Operating loss has been arrived at after including:		
	Operating revenue		
	Toll revenue	6,776,723	9,167,600
	Interest received or due and receivable from:		
	-other persons	13,565	10,152
	Other revenue	5,000	100
	Gross proceeds from sale of non-current assets	5,625	—
		6,800,913	9,177,852
	Operating expenses		
	Depreciation of buildings, plant and equipment	272,813	414,112
	Amortisation of leasehold land, roads, bridges and facilities	4,715,963	4,715,927
	Amounts set aside to the provision for doubtful debts	(1,000)	—
	Interest expense - other	20,347,441	17,656,882
B	**Abnormal revenue and expenses**		
	Items credited as revenue		
	Toll indemnity receipts	2,985,149	—
	Toll closure expenses reimbursed	897,300	—
	Loan forgiven by Queensland Department of Main Roads	52,250,000	—
	Items charged as an expense		
	Costs re cessation of tolls		
	Toll closure expenses	900,202	—
	Loss on disposal of non-current assets	1,822,150	—
		53,410,097	—
3	**AUDITOR'S REMUNERATION**		
	Amounts received or due and receivable by the auditor for audit services	13,560	11,950

Notes to and forming part of the financial statements for the year ended 30 June 1996

		1996 $	1995 $
4	**RECEIVABLES**		
	Current		
	Trade debtors	67	59,668
	Less: Provision for doubtful trade debtors	—	1,000
		67	58,668
	Other debtors	1,280,944	23,821
		1,281,011	82,489
5	**OTHER CURRENT ASSETS**		
	Prepayments	2,970	40,500
6	**PROPERTY, PLANT & EQUIPMENT**		
	Leasehold land - at cost	8,881,754	8,881,754
	Less: accumulated amortisation	1,363,481	1,067,596
		7,518,273	7,814,158
	Roads and bridges - at cost	117,463,081	117,463,081
	Less: accumulated amortisation	20,343,199	16,429,880
		97,119,882	101,033,201
	Buildings - at cost	4,585,278	6,232,061
	Less: accumulated depreciation	707,448	862,361
		3,877,830	5,369,700
	Plant and equipment - at cost	—	4,650,885
	Less: accumulated depreciation	—	4,084,051
		—	566,834
	Total property, plant and equipment net book value	108,515,985	114,783,893

Under the terms of an agreement between the State of Queensland and the company, at the expiration of the 30 year franchise period the leasehold land and buildings will, at the same time as the roads and bridges become the absolute property of the State of Queensland. Transfer to the State will be without compensation to the company.

Notes to and forming part of the financial statements for the year ended 30 June 1996

		1996 $	1995 $
6	**PROPERTY, PLANT & EQUIPMENT (Cont)**		

The Directors consider that it is not practical to attribute a separate current market value to the leasehold land and buildings as required under Clause 32 of Schedule 5 to the Corporations Regulations because they form an integral part of the Motorway and in any event are not material to the total assets of the company.

		1996 $	1995 $
7	**OTHER NON CURRENT ASSETS**		
	Facilities provided to the State - at cost	15,217,061	15,217,061
	Less: accumulated amortisation	1,266,848	760,088
		13,950,213	14,456,973
8	**CREDITORS AND BORROWINGS**		
	Current		
	Other creditors and accruals	2,000,804	1,434,188
	Queensland Department of Main Roads	—	40,000,000
		2,000,804	41,434,188
	Non current		
	Term Loans - Unsecured		
	Queensland Treasury Corporation	186,062,887	184,095,561

Borrowing facilities

Queensland Treasury Corporation

All borrowings since 1 April 1990 have been made through a pool funding arrangement. Amounts drawn under these facilities are regarded as non-current liabilities, and are guaranteed by the Queensland Government.

	1996 $	1995 $
Advances under facility		
- book value	186,062,887	184,095,561
- unrealised costs	9,718,260	11,159,765
	195,781,147	195,255,326

The unrealised costs of $9,718,260 (1995: $11,159,765) have not been brought to account as they are only payable, in this amount, in the event that the loan from the Queensland Treasury Corporation was repaid at 30 June 1996. When the loan is finalised an amount may be payable to or receivable from the Queensland Treasury Corporation. However at the date of these accounts it is impracticable to quantify what amount, if any, is payable or receivable at that time.

Queensland Department of Main Roads

An interest free loan of $12,250,000 (1995: $12,250,000) was advanced from the Queensland Department of Main Roads during the year. Refer Related Party Disclosures, note 14, for further details.

Notes to and forming part of the financial statements for the year ended 30 June 1996

		1996 $	1995 $
9	**SHARE CAPITAL**		
	Authorised		
	100,000,000 ordinary shares of $1 each	100,000,000	100,000,000
	Issued and paid up		
	5 ordinary shares of $1 each, fully paid	5	5

10 CONTINGENT LIABILITIES

The Queensland Department of Main Roads has yet to finalise all of the costs covering property required for the Motorway. The amount and timing of any costs which are to be borne by the company cannot be estimated with any certainty at this time.

11 SEGMENT REPORTING

The company owns the Sunshine Motorway and operates only in Australia.

12 ECONOMIC DEPENDENCY

In forming their opinion that there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due and that the company is able to continue as a going concern, the Directors have relied upon Part II Clause 4 to an agreement dated 15 November 1988 between the State of Queensland and the company which states that:

"If at any time, and notwithstanding the termination of the Franchise Period pursuant to Clause 4 of Part VII, the amount of funds available to the Owner (by way of toll, interest from investments if any, loans raisings or borrowings or otherwise) is insufficient to meet:-

(i) the obligations of the Owner in relation to this Agreement;

(ii) obligations of the Owner pursuant to any contracts approved by the Commissioner and entered into by the Owner for the purposes of this Agreement;

(iii) amounts required to maintain a level of working capital approved by the Commissioner; or

(iv) other amounts as may be approved by the Commissioner from time to time,

the State shall make available to the Owner the amount of such deficiency."

and Variation Agreements dated 8 March 1996 and 26 June 1996.

The Transport Infrastructure Amendment Act (No 2) 1994 (the Act) came into force on 18 November 1994. This Act repeals the Motorways Agreement Act 1987, however it incorporates transitional provisions to cover the company's Agreement dated 15 November 1988 (the Agreement). Both the Queensland Department of Main Roads and the company intend to enter into a new agreement under the provisions of the Act, which will include a similar financial support clause to the one in the current Agreement.

Notes to and forming part of the financial statements for the year ended 30 June 1996

12 ECONOMIC DEPENDENCY (Cont)

Events Subsequent to Balance Date

The 1996/97 Queensland State Budget announced that following the removal of tolls on the Sunshine Motorway the Government will make a one-off principal repayment of $83.6 million on the company's debt to enable the remainder of the company's debt to be repaid within the original franchise period. The Department of Main Roads will also provide funding, currently $12.6 million per annum, until the debt has been repaid (by June 2016).

13 DIRECTORS' REMUNERATION

The number of directors of the company whose income from the company or related bodies corporate falls within the following bands is:

	1996 No.	1995 No.
$0 - $9,999	1	6
$10,000 - $19,999	5	3
$20,000 - $29,999	1	—
Total income received, or due and receivable by all directors of the company from the company or related bodies corporate	$70,000	$67,258

The above amounts (including comparatives) are disclosed in accordance with an ASC Class Order 95/741 dated 27 June 1995.

Directors' income does not include insurance premiums paid by the company or related bodies corporate in respect of directors and officers liabilities insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors. Details of the insurance premiums paid are set out in the Directors' Report.

14 RELATED PARTY DISCLOSURES

Ultimate parent entity

The immediate parent entity and ultimate parent entity of Sunshine Motorway Company Limited is Queensland Motorways Limited, a company beneficially owned by the Director-General of the Queensland Department of Main Roads on behalf of the State of Queensland.

Wholly owned group

Other transactions

Management fees charged to the company for provision of management and administrative services. These transactions were in the normal course of business and on normal terms and conditions.

	1996 $	1995 $
The Gateway Bridge Company Limited	53,279	61,818

SUNSHINE MOTORWAY

Notes to and forming part of the financial statements for the year ended 30 June 1996

		1996 $	1995 $
14	**RELATED PARTY DISCLOSURES (Cont)**		

Wholly owned group (Cont)

Balances with entities within the wholly owned group.

The aggregate amounts receivable from, and payable to, entities within the group at balance date.

	1996 $	1995 $
Receivables		
Current		
Logan Motorway Company Limited	1,336	35
Creditors and borrowings		
Current		
The Gateway Bridge Company Limited	63,084	(21,819)

Directors

The names of each person holding the position of Director of the Sunshine Motorway Company Limited during the financial year are E F F Finger, L Casagrande, B J Flannery, S A D Israel, A F Ward, K W Witney, and J T Woods.

Details of directors' remuneration are disclosed in note 13.

Other related party transactions

All borrowings from Queensland Treasury Corporation are guaranteed by the Queensland Government.

During the financial year the following contractual fees were paid or became payable to the Queensland Department of Main Roads:

	1996 $	1995 $
Repairs and maintenance	963,903	456,488

These fees are charged on the basis of recovery of costs incurred.

Following the cessation of tolls on 8 March 1996 the following amounts were received or became receivable from the Department of Main Roads:

	1996 $	1995 $
Toll indemnity	2,985,149	—
Toll closure expenses reimbursed	897,300	—

As at 30 June 1996 included in receivables was $1,276,794 (1995 NIL) for unpaid toll indemnity and reimbursements and included in other creditors and accruals was $555,216 (1995 NIL) for unpaid repairs and maintenance.

During the financial year the Queensland Department of Main Roads made a further interest free loan to the company. The Queensland Department of Main Roads subsequently forgave repayment of the $52,250,000 total liability for all such loans advanced to 30 June 1996.

	1996 $	1995 $
Loan - unsecured	—	40,000,000

SUNSHINE MOTORWAY

Notes to and forming part of the financial statements for the year ended 30 June 1996

	1996 $	1995 $
15 TAXATION		
Income tax expense		
Prima facie income tax (expense)/credit calculated at 36% (1995: 33%) on the operating profit	(11,424,423)	5,625,346
(Increase)/decrease in income tax expense due to permanent differences		
Amortisation	(2,050,425)	(1,204,195)
Sundry items	282,460	(97,203)
Debt forgiven	18,810,000	—
Future tax benefit not brought to account	(5,617,612)	(4,323,948)
Income tax expense on operating loss	—	—

Future income tax benefit not taken to account

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery is not virtually certain.

	1996 $	1995 $
Timing differences	133,142	63,403
Tax losses carried forward	32,880,312	32,761,149
	33,013,454	32,824,552

The potential future income tax benefit will only be obtained if:

(a) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the economic entity in accordance with Section 80G of the Income Tax Assessment Act 1936;

(b) the company/economic entity continues to comply with the conditions for deductibility imposed by the law; and

(c) no changes in the tax legislation adversely affect the company/economic entity in realising the benefit.

Notes to and forming part of the financial statements for the year ended 30 June 1996

	1996	1995
	$	$
16 NOTES TO THE STATEMENT OF CASH FLOWS		

(i) **Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	1996 $	1995 $
Cash	90,407	208,280

(ii) **Reconciliation of operating profit/(loss) after income tax to net cash provided by operating activities:**

	1996 $	1995 $
Operating profit/(loss) after income tax	31,734,509	(17,046,504)
Add/(less) items classified as investing/financing activities:		
(Profit)/Loss on sale of non-current assets	1,822,150	—
Interest expense	20,417,324	17,656,882
Interest received	(13,565)	(10,152)
Add/(less) non-cash items:		
Amortisation	4,715,963	4,715,927
Loan forgiven	(52,250,000)	—
Depreciation	272,813	414,112
Net cash provided by operating activities before changes in assets and liabilities	6,699,194	5,730,265
Change in assets and liabilities:		
(Increase)/decrease in prepayments	37,530	2,826
(Increase)/decrease in debtors	(1,198,522)	3,053
(Decrease)/increase in creditors and accruals	566,616	(1,353,612)
Net cash provided by operating activities	6,104,818	4,382,532

(iii) **Borrowing Facilities**

Refer Note 8.