RiverCity Motorway Holding Trust Group

Financial Report

For the year ended 30 June 2010

1. Group structure

In respect of the year ended 30 June 2010, the Directors of RiverCity Motorway Management Limited (ABN 33 117 343 361 / AFSL 297 867), being the responsible entity of the RiverCity Motorway Holding Trust (RCMHT) and RiverCity Motorway Investment Trust (RCMIT) stapled group and their controlled entities (RiverCity Motorway Group / Group), submit the following Directors' Report together with the financial report of the Group for the year ended 30 June 2010 and the auditors report thereon.

RiverCity Motorway Management Limited (RCMML) is a wholly owned subsidiary of RiverCity Motorway RE Holdings Pty Limited (a wholly owned subsidiary of RiverCity Motorway Holding Trust).

The units of RCMHT and RCMIT are stapled together and quoted as one on the Australian Securities Exchange (ASX).

AASB 3 *Business Combinations* includes stapling arrangements and requires entities combining under stapling arrangements to identify one entity acquirer or parent entity. The parent entity is required to prepare consolidated financial statements in accordance with the principles of AASB 3 and AASB 127 *Consolidated and Separate Financial Statements*.

Units in RCMHT and RCMIT were stapled and registered with the Australian Securities and Investments Commission (ASIC) prior to entering into the project deed. Accordingly, the combination of the RiverCity Motorway Group occurred prior to being awarded the project when there were only nominal assets and liabilities in each Trust. As a result, no fair value adjustment was required on consolidation of the RiverCity Motorway Group.

In accordance with these requirements RCMHT has been identified as the parent entity of the RiverCity Motorway Group on the basis that it comprises 99% of the value of the stapled units on issue.

The financial statements have been prepared by consolidating the financial statements of all the entities that comprise RiverCity Motorway Group. Consistent accounting policies have been employed in the preparation and presentation of the financial statements. In preparing the financial statements, all transactions within the RiverCity Motorway Group have been eliminated in full.

The RiverCity Motorway Group includes the following fourteen entities:

RCMHT and its controlled entities
- RiverCity Motorway RE Holdings Pty Ltd;
- RiverCity Motorway Management Limited;
- RiverCity Motorway Asset Trust;
- RiverCity Motorway Asset Trust 2;
- RiverCity Motorway Finance Pty Limited; and

RCMIT and its controlled entities
- RiverCity Motorway Holdings Pty Limited;
- RiverCity Motorway Pty Limited;
- RiverCity Motorway Services Pty Limited;
- RiverCity Motorway Asset Nominee Pty Limited;
- RiverCity Motorway Asset Nominee 2 Pty Limited;
- Flow Tolling Pty Ltd; and
- RiverCity Motorway Construction Pty Limited.

The Group was listed on the ASX on 3 August 2006. The ASX reserves the right (but without limiting its absolute discretion) to remove RCMHT or RCMIT or both from the official list if any of the units in RCMHT and the units in RCMIT cease to be stapled together, or any equity securities are issued by either of the Stapled Trusts which are not stapled to equivalent securities in the other entity.

2. Directors

The Directors of RCMML (responsible entity) during the year and up to the date of this report are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Robert Francis Morris BSc BE(Sydney) MEng Sci (UNSW) Chairperson Independent Non-executive Director	Robert Morris is also an Independent Director of MAp Airports Limited and Aspire Schools Financing Services (Qld) Pty Limited. During his time with Leighton Contractors (where he held the position of Director and General Manager, Land Transport) from 1994 to 2002, Robert managed the successful proposals of Leighton Contractors and its partners to the New South Wales Government for the Eastern Distributor and the Westlink M7 toll road projects. Robert was Chairman of the Sydney Roads Group from its ASX listing in 2006 through to its takeover in 2007. Appointed 3 June 2006.
Mr John Collis Barry BA AICA Non-executive Director	John has over 25 years experience in the financial services market including significant experience in the corporate finance and funds management industry. Previously John worked for five years as a consultant to ABN AMRO Australia and prior to that was an Executive Director of Challenger International. He was on the boards of various funds management and life insurance companies of the Challenger Group as well as heading Challenger International's property group. John has extensive corporate finance experience having held senior positions in major investment banks. John is currently an executive director of Trilogy Funds Management and the Chairman of Westpac RE Limited. Appointed 28 April 2006.
Mr Bernard Rowley Independent Non-executive Director	Bernard Rowley was the Chief Executive Officer of Suncorp for 10 years. Bernard is currently chairman of CUNA Mutual and Burrell Stockbroking and Superannuation, a Director of Texon Petroleum and a member of the Motor Accident Insurance Commission Advisory Committee. He is a Fellow of the Australian Institute of Company Directors and the Institute of Actuaries. Appointed 26 September 2008.
Mr Ken MacDonald Independent Non-executive Director	Ken MacDonald is currently Deputy Chairman of QIC Limited, Chairman of ASX listed Highlands Pacific Limited and a Director of QIC Private Capital Pty Ltd and QIC Retail Pty Ltd. Ken is also a councillor and Director of Bond University Limited. He consults to the law firm Allens Arthur Robinson where he was previously a Partner, Board Member and Executive Partner in charge of the Energy Resources and Infrastructure Department. Appointed 26 September 2008.

2. Directors (continued)

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Peter Hicks Non-executive Director	Peter Hicks is presently the Executive General Manager Investment and Facility Management, Leighton Contractors and was the Bid Leader and initial CEO for the successful RiverCity Motorway proposal selected in 2006. Peter is a Board Member of Cross City Tunnel, Aspire (Qld Schools PPP), Infrastructure Partnerships Australia (IPA) and several not for profit Boards. Peter is a former Board member of Westlink M7 and Australian Council for Infrastructure Development. Peter is a Fellow of the Australian Institute of Company Directors. Appointed 26 September 2008.
Ms Thao Oakey Non-executive Director (Alternate for Peter Hicks)	Thao Oakey is currently General Manager of Leighton Contractors' Infrastructure Investment team, responsible for leading and procuring finance for large infrastructure projects and managing Leighton's investments in such projects. Thao has over 15 years experience in the infrastructure finance industry and prior to joining Leighton Contractors, was a senior Vice President in Deutsche Bank's investment banking division specialising in infrastructure. Appointed 26 September 2008.
Mr Charles Mott Non-executive Director	Charles Mott is Chief Executive Officer of Bilfinger Berger Project Investments Pty Limited, a specialist sponsor, investor and manager of public private partnership (PPP) projects. Charles has been involved in a wide variety of PPP projects in Australia in the road and public transport, health, justice and corrections sectors. Prior to his current role, Charles spent 2 years as Chief Financial Officer of Transfield Services Infrastructure Fund, an investor in a range of infrastructure assets in the areas of thermal power, renewable power and water treatment. Previously Charles held a number of senior financial positions within Bilfinger Berger Project Investments' sister company Baulderstone Pty Ltd, including Chief Financial Officer and Group Commercial Director. Appointed 17 June 2009. Resigned 25 June 2010.
Mr Peter Hollingsworth Independent Non-executive Director	Peter Hollingsworth qualified as a civil engineer from University of Queensland in 1951 and as a licensed surveyor in 1954. Peter partnered the founding of Coffey & Hollingsworth consulting in geotechnical engineering in Australia and South-East Asia. In 1974 he founded Hollingsworth Consultants specialising in environmental impact studies and geotechnical engineering in Australia and Papua New Guinea. In the mid to late 1980s he was involved in the geotechnical aspects of tunnels in Queensland and Papua New Guinea. Peter retired from the firm in 1993 and now consults as Hollingsworth Project Consultant in business development in the engineering sector. Peter has received a number of prestigious awards, appointments and accreditations including being Awarded AM in Order of Australia Honours January 2004, Professional Engineer of the Year 2001 and being made an Honorary Fellow of the Institution of Engineers Australia in October 2002. Appointed 26 September 2008.

2. Directors (continued)

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Dr David John Howell FAICD Non-executive Director	David Howell is also a director of Kanangra Ratings Advisory Services, an independent credit rating advice company. He is also an Independent member of the Investment Committee of Palisade Investment Partners, one of the major unitholders of River City Motorway. David has had a 25 year career in investment banking, principally in project finance working in Sydney, New York and London. He has had experience in private equity, PPPs, bank and capital markets financing. For the 6 years until 2008 he was a Senior Analyst at Moody's Investors Service, the credit rating agency, specialising in toll roads, airports and mining credits. Prior to his career in banking, David spent a decade as a geologist and has a PhD in geology. Appointed 21 July 2010.

3. Company Secretary

The Company Secretary during the year and up to the date of this report is:

(a) Ms Christine Hayward – Appointed 26 September 2008.
Christine holds a Bachelor of Commerce, Graduate Diploma in Applied Corporate Governance is a CPA and qualified Chartered Secretary.

4. Meetings of Directors

The number of meetings of the RiverCity Motorway Group's Board of Directors and of each Board Committee held during the year ended 30 June 2010, and the number of meetings attended by each Director is:

	Full Meetings of Directors		Meetings of Audit Risk and Compliance Committee		Meetings of Nomination and Remuneration Committee	
	A	**B**	**A**	**B**	**A**	**B**
Robert Morris	14	15	6	6	2	2
John Barry	15	15	*	*	*	*
Bernard Rowley	15	15	6	6	*	*
Ken MacDonald	13	15	6	6	2	2
Peter Hollingsworth	15	15	*	*	*	*
Peter Hicks	14	15	*	*	*	*
Thao Oakey	4	4	*	*	*	*
Charles Mott (1)	12	15	*	*	1	2

(1) Resigned 25 June 2010

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office during the year.
* = Not a member of the relevant committee.

5. Review of operations

5.1 Basis of preparation

Key milestones achieved by the Group in 2010 are as follows:

- Opening of the Clem Jones tollroad (CLEM7), approximately 7 months ahead of schedule, on 16 March 2010.
- Average daily traffic volumes for the toll free period from 16 March to 5 April 2010 was 59,109.
- Average daily traffic volumes for the $2.95 (per car) toll period from 6 April to 30 June 2010 was 21,744.
- On 1 July 2010, the toll price was reduced to $2 (per car) which has seen an increase in traffic volumes through this period.
- The average daily traffic volume for September 2010, up until report signing date was 28,491.

Tollroad operations typically experience a traffic ramp-up period. The original expectation for the CLEM7 tollroad was a ramp-up period of 18 to 24 months from March 2010 as outlined in the final 2006 Product Disclosure Statement.

As outlined in the timetable above, the first six months traffic volumes indicate that the ramp-up period may be longer and the future toll price may need to be lower than original expectations. Further details on the underlying traffic volume and tolling revenue assumptions are set out at Note 17 "Non-current Assets – Intangibles" in the Notes to the Financial Statements.

The Group has appointed Integrated Management Information Systems Pty Ltd (IMIS) to provide an expert view on traffic volumes. This assessment will consider factors such as nearby land use, economic and population growth, toll pricing strategies, Airport Link opening, and growth in traffic across the Brisbane River. This report is expected to be available by the end of 2010.

As a result of the uncertainty regarding the traffic volumes and toll prices for the remaining 41 year concession period, the Directors have considered a number of different traffic volumes and tolling revenue forecast scenarios. The current cash flow projections indicate sufficient cash reserves to fund cash shortfalls to at least September 2011, which is at least twelve months from the date of this report. The cash reserves at 30 June 2010 are outlined in Note 11 "Cash and cash equivalents" in the Notes to the Financial Statements.

Based on current forecasts and existing financing arrangements, if there is not a significant increase in traffic volumes in the next 12 months, there is significant uncertainty over the Group's ability to meet its ongoing operating and financing commitments beyond September 2011. The Directors are cognisant that a significant improvement in traffic volumes, revenue growth and management of expenditure will be necessary for the Group to stop drawing on cash reserves. At present the Directors and management continue to liaise closely with the Group's financiers and will actively explore options with them to sustain the Group in its current form until after Airport Link opens in mid-2012, which coincides with the first debt covenant test in June 2012.

The Directors also note that the RiverCity Motorway Group is in a net liability position at 30 June 2010. As at the report signing date the Directors are unaware of any event of default with its financing arrangements.

The Group has commenced preliminary discussions with its financiers but given the uncertainty of the outcome, coupled with the uncertainty of achieving significant increases in operational cash flows, these financial statements have been prepared as if an orderly wind down of operations may be necessary sometime after September 2011.

Accordingly, the Directors consider it is appropriate to prepare the Financial Report for the year ended 30 June 2010 on a liquidation basis, which would be based on an orderly wind down of operations. The comparative disclosures for 30 June 2009 were prepared on a going concern basis.

5. Review of operations (continued)

5.1 Basis of preparation (continued)

The preparation of a financial report in conformity with Australian Accounting Standards requires Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by Directors in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustments in the next period have been detailed within the Critical Accounting Estimates and Judgements (Note 2(g) to the financial statements).

In comparison to the Preliminary Financial Report released on 31 August 2010 which was prepared on a going concern basis, this liquidation (orderly wind down) basis has additional disclosures about the current state of affairs and the Group's future prospects. There have been no changes to the measurement of any of the underlying numbers to the financial statements. As outlined in Note 17, the intangible asset has been written down to recoverable amount using a fair value less cost to sell methodology. In addition, as these financial statements have been prepared as if an orderly wind down might occur after September 2011, there have been no changes to the classification of non-current assets and liabilities.

While the financial report has been prepared on a liquidation (orderly wind down) basis, the Directors do not, at the date of this report, have any intention to place the Group into administration or liquidation.

5.2 Current Strategy

As a result of the significant issues facing the Group as set out above, the current strategy of the Group is to continue its operations whilst continuing discussions with financiers regarding restructuring its existing facilities.

At present the Directors and management continue to liaise closely with the Group's financiers and will actively explore options with them to sustain the Group in its current form until after Airport Link opens in mid-2012.

5.3 Ongoing Risks

In the final 2006 Product Disclosure Statement, several risk factors were disclosed to prospective investors. The key ongoing risks are set out below.

5.3.1 Traffic Risks

Traffic volumes may be affected by factors such as general traffic levels in the area, the quality and proximity of alternative roads and other transport infrastructure, toll rates and fuel prices. Traffic modelling and forecasting is not a precise science. It relies on complex sets of data inputs and assumptions, and especially in a large and rapidly developing city such as Brisbane there are inevitably uncertainties about future traffic volumes.

5. Review of operations (continued)

5.3 On going Risks (continued)

5.3.1 Traffic Risks (continued)

Investors will bear the risk that the CLEM7 (Tollroad) traffic volumes and revenue may be adversely affected by various factors including, but not limited to:

- the occurrence and timing of road projects (other than the Tollroad) in Brisbane, in particular the duplication of Gateway Bridge, the Airport Link and the Go Between Bridge;
- problems integrating the Tollroad into other parts of the local road and transport network and future changes to the surrounding road network for example no T3 lane on Story Bridge;
- demographic and economic conditions, including CPI, inflation, population growth, interest rates and taxation;
- changing travel patterns and habits;
- the expansion factors used in the traffic forecasts;
- the penetration of electronic tolling into the marketplace;
- social instability and other political and economic developments;
- community opposition to the Tollroad; and
- industrial and residential shifts in the area of Brisbane that the Tollroad services.

Any developments which reduce traffic volumes or the growth in traffic volumes in the Tollroad could have a material adverse effect on RiverCity Motorway Group's financial condition and results of operations.

5.3.2 Competition Risk

The tollroad traffic may be affected by improvements in the existing alternative routes and/or the construction of new alternative routes or new means of transportation. Alternative roads that are toll-free or that enable faster travelling speeds may be built or improved. There are no restrictions preventing the Council, the State or their associates or any other party from developing, managing or changing Brisbane's transport network (including improving the road and public transport networks).

5.3.3 Refinancing and interest repayment risk

The term debt facilities must be refinanced on specific maturity dates, unless refinanced earlier. Currently, the Term Facility has $668m maturing in August 2014 and $668m maturing in August 2016. There is a risk that RiverCity Motorway Group cannot do this when it needs to repay these debt facilities, or that the terms of any refinancing are less favourable than expected.

There is a risk that without a significant improvement in operating cash flows or external funding, there may be insufficient cash to pay financing costs as they fall due. A failure to pay financing costs on the due date would be an Event of Default. If an Event of Default were to occur, the total amount owing under the Term Facility may become payable on demand or immediately due for payment, at the Financiers' option.

5.3.4 Other risks

For all other risks, please refer to the final 2006 Product Disclosure Statement.

5.4 Completion of Design and Construction of CLEM7

During the design and construction phase, the Group capitalised all construction related costs to intangible assets and expensed all general and administration costs. The completion of the CLEM7 and opening to traffic signified the end of capitalisation of costs to the intangible asset. The principal activities of the Group during the financial year were the completion of the CLEM7 tollroad, development of the back office tolling system and general business operating systems and the commencement of tolling operations in March 2010.

5. Review of operations (continued)

5.5 Impairment of CLEM7 tollroad

Early operations of the CLEM7 tollroad indicate that traffic levels are lower than the Product Disclosure Statement 2006 and may continue to be lower than expectations. As a result, the Directors have reviewed the available evidence and preliminary traffic estimates and determined that the value of the tollroad should reflect an impairment write down. Details of the impairment, the underlying assumptions and process taken by the Directors are outlined in the Notes to the Financial Statements at Note 17 "Non-current assets – intangibles".

5.6 Interest rate hedging

In line with other infrastructure projects, RiverCity Motorway mitigates interest rate risk by entering into forward hedges that fix the interest payable on its debt facilities. The Group has fixed its interest at a minimum of 70% of the term debt facility until 2016. The level of hedging is required under the Project and Finance documents.

Accounting standards require that for each reporting period, the accounts show the value of all hedges relative to the current floating interest rate environment. The value is shown in the accounts as income or expenditure under the heading of "Derivative Income/Derivative Expense".

Investors should note that this valuation will fluctuate with changes in prevailing interest rates. For example, up to the period ended 30 June 2009, the reported derivative expense was a total of $125,186,000. In the current reporting period ended 30 June 2010 a derivative expense of $7,435,000 has been reported.

It is important to note that the Derivative Income/Derivative Expense value reported for any debt facility will reduce to zero when the hedge expires. The fundamental business case for the project remains unaffected.

RiverCity Motorway will continue to fix its interest payable for substantial parts of future debt obligations. Consequently there will be continued reported income or expenditure under the Derivative Income/Derivative Expense heading in each accounting period. This value will fluctuate depending on the prevailing rates and the magnitude of the Group's debt/hedging portfolio.

5.7 Tolling for Go Between Bridge

The Group is a member of a consortium led by Leighton Contractors that has been selected by Brisbane City Council to provide the tolling hardware and operations for the new Go Between Bridge (Hale Street Link bridge). The Group has the pivotal role of providing tolling products, customer service and tolling operations for this new bridge, which opened on 5 July 2010. Tolling operations are delivered using the tolling system and back office resources that are necessary to operate the CLEM7. By providing tolling services for a number of roads, the Group expects to expand its customer base and continually drive down transaction costs.

6. Corporate governance statement

RiverCity Motorway Group has adopted a set of objectives and guiding principles that underline our approach to corporate governance and the conduct of our daily activities. This approach includes a commitment to conducting our activities ethically and lawfully, and aims to create value for our unitholders while providing accountability and internal control systems commensurate with the risks involved.

As RiverCity Motorway Group is listed on the ASX, we pay particular attention to Australian regulatory requirements and the Corporate Governance Principles and Recommendations 2nd Edition published by the ASX Corporate Governance Council (ASXCGC).

6. Corporate governance statement (continued)

6.1 ASX Principles and Recommendations and Revisions

RiverCity Motorway Group considers that our corporate governance arrangements during the reporting period and up to the date of this statement comply with the ASXCGC's best practice recommendations.

As described in this statement, we have published our key corporate governance policies on our website at www.rivercitymotorway.com.au.

6.2 Clem Jones Tunnel (North-South Bypass Tunnel)

RiverCity Motorway Group operates under a Concession Deed with the Brisbane City Council (BCC), under which RiverCity Motorway Group has the right and obligation to finance, design, construct, commission, operate and maintain the Clem Jones Tunnel (CLEM7) as a toll road until 2051. After that date, the tunnel and related assets will be returned to BCC.

RiverCity Motorway Group engaged Leighton Contractors Pty Limited, Baulderstone Hornibrook Pty Ltd, Bilfinger Berger Civil Pty Ltd and Baulderstone Hornibrook Queensland Pty Ltd (LBBJV), an unincorporated joint venture, under a construction contract to design and construct the tunnel and associated facilities. Tollroad Completion occurred on 15 March 2010, tolling operations on 16 March 2010 and Tolling System Completion occurred on 24 March 2010. Leighton Infrastructure Investments Pty Limited and Bilfinger Berger BOT GmbH subscribed to an aggregate of $155 million at $1.00 per unit for the issue of units in RiverCity Motorway Group on Tollroad Completion. With the consent of the Group, Bilfinger Berger agreed to transfer its equity interest to Leighton Infrastructure Investments which in turn agreed to transfer that interest to JF Infrastructure (in which Leighton Holdings is a 50% shareholder).

From Tollroad Completion, Brisbane Motorway Services Pty Limited a company jointly owned by Leighton Contractors Pty Limited and Bilfinger Berger Services (Australia) Pty Limited, will maintain the tollroad for the period of the concession, with an initial contract term of five years.

RiverCity Motorway Group developed and operates the tolling system, including managing customer service relations and marketing.

6.3 Corporate structure

RiverCity Motorway Group is made up of two Australian unit trusts, RCMHT and RCMIT (Trusts). Units in the Trusts are stapled together and traded as one on the ASX.

The Trusts are managed by RCMML, a wholly-owned subsidiary of RiverCity Motorway RE Holdings Pty Ltd whose only function is to act as the responsible entity of the Trusts. RCMML itself retains responsibility for the corporate governance of the Trusts and the protection of unitholders' interests.

The RCMML Board has appointed RiverCity Motorway Services Pty Limited (RCMS) as Manager to assume the specific responsibilities in respect of the day-to-day management of the Group and has delegated management of the day-to-day business affairs of the Trusts to RCMS, which is wholly owned by RiverCity Motorway Holdings Pty Limited. A reference in this financial report to RCMML generally includes a reference to RCMS as the delegate of RCMML.

RCMML and RCMS have the same Board of Directors. The Board of Directors of RCMML are referred to as the Board in this financial report.

Under the terms of the Trusts' Constitutions, the Trusts pay RCMML a fixed management fee (indexed annually according to movements in the Consumer Price Index), together with reimbursement of expenses reasonably incurred by it in the proper performance of its duties as responsible entity of the Trusts. Details of the fees paid and payable to RCMML are set out in Note 28 to the financial report.

6. Corporate governance statement (continued)

6.4 Principle 1 – Lay solid foundations for management and oversight

The Board has adopted the following objectives for RiverCity Motorway Group:

- to act in the best interests of unitholders to maximise returns, commensurate with sound business principles and the effective management of risk;
- to comply with the requirements of the Concession Deed, corporate charters and regulatory requirements;
- to provide:
  - a safe and healthy working environment with a goal of no harm to employees, contractors and community; and
  - a tunnel that is safe for motorists to use;
- to satisfy the following objectives insofar as they align with the above objectives:
  - maximise the efficiency of the Group; and
  - build loyalty and long-term satisfaction among customers and stakeholders by providing an outstanding level of service.

The Board

The role of the Board is to provide overall strategic guidance for unitholders and effective oversight of management. The Board ensures that the activities of the RiverCity Motorway Group comply with the Stapled Trusts' constitutions. The Board provides direction and guidance, with the aims of building a solid and reliable corporate identity and ensuring that RiverCity Motorway Group works in the best interests of unitholders, and at all times with integrity.

The Board has adopted a Board Charter, which defines the role and responsibilities of the Board and describes the processes the Board follows to discharge its role and responsibilities. The Board Charter can be found on our website at www.rivercitymotorway.com.au.

6. Corporate governance statement (continued)

6.4 Principle 1 – Lay solid foundations for management and oversight (continued)

The Board (continued)

The Board's responsibilities include:

- providing input into, reviewing and approving strategic plans and performance objectives;
- monitoring senior executive's performance in the implementation of strategic plans;
- ensuring effective communications with unitholders, including convening unitholder meetings, listening and responding to investor views of management and on the Group;
- facilitating the effective exercise of unitholder rights;
- reporting to unitholders and ensuring that all regulatory requirements are met;
- establishing and maintaining, for the responsible entity, employment and occupational, health and safety policies;
- actively promoting ethical and responsible decision-making;
- overseeing the Group, including its control and accountability systems;
- establishing a system of accountability for unethical practices;
- approving and monitoring financial and other reporting;
- monitoring and overseeing the accounting and financial management systems;
- reviewing and monitoring the progress of major capital expenditure, capital management, major acquisitions and divestitures and material commitments;
- determining the distribution policy and declaring distributions;
- reviewing, ratifying and monitoring systems, risk management and internal control, codes of conduct and legal compliance;
- appointing and removing the Chief Executive Officer;
- where appropriate ratifying the appointment and removal of senior executives; and
- ensuring appropriate resources are available to senior executives.

The day-to-day management functions are performed by the Manager's staff. RCMML therefore monitors RCMS's compliance with its regulatory and contractual obligations in relation to the Trusts and RCMS's performance as Manager. Key members of RCMS's staff must be approved by RCMML.

The Manager engages a team of people to perform the functions equivalent to those that would ordinarily be performed by senior management, including a Chief Executive Officer (CEO), Chief Financial Officer (CFO), Investor and Corporate Relations Manager and Engineering Manager. The Board has delegated to the CEO all powers and authority to achieve the Group's objectives.

Included in the Management Deed RCMML has with RCMS are details of the responsibilities delegated to RCMS and senior executives. The Board has delegated authority and powers to the Chief Executive Officer as necessary to recommend and implement the strategies approved by the Board and to manage the day-to-day operation and administration of the Group. The Chief Executive Officer is the Board's principal link to the senior management team.

6. Corporate governance statement (continued)

6.4 Principle 1 – Lay solid foundations for management and oversight (continued)

The Board (continued)

The CEO is accountable to the Board for exercise of these delegated powers and authority, and for the performance of RiverCity Motorway Group towards achievement of the Group's objectives. The CEO is required to ensure that reporting to the Board is open and effective and addresses material developments affecting achievement of the Group's objectives.

The Chief Executive Officer may further delegate within specific policies and delegation limits to members of the senior management team, but remains accountable for all authority delegated to its members. The Board ensures that the senior management team is appropriately qualified, experienced and resourced to discharge its responsibilities. The Board has in place procedures to assess the performance of the Chief Executive Officer and other members of the senior management team.

During the year the Group maintained a detailed induction program to enable any new executives to gain an understanding of the Group's financial performance, strategies, operations and risk management processes and the respective rights, duties responsibilities and roles of the Board and senior executives.

6.5 Principle 2 – Structure the board to add value

Composition of the Board

The names of the Directors of the Group in office at the date of this report are set out in the Directors' report on pages 3 to 5 of this report. The composition of the Board is determined using the following principles:

- a minimum of three Directors with a broad range of expertise; and
- a majority of Independent Non-executive Directors.

An Independent Director is a Director who is not a member of management (a Non-executive Director) and who is free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment or be perceived to do so.

The Board considered appropriate selection criteria in relation to the assessment of the necessary and desirable competencies of the Board members. Those are:

- integrity;
- experience in the particular infrastructure sector and experience in other relevant areas such as finance, investments, funds management, legal and corporate governance, and the degree to which they complement the skill set of the existing Board members; and
- in the case of prospective Independent Directors, their actual and perceived independence.

Before accepting appointment, Independent Directors are formally advised of the reasons why they had been asked to join the Board and provided with a letter of appointment which includes an outline of what the Board expects of them.

The Board regularly assesses the independence of each Director in light of the interests disclosed by them.

6. Corporate governance statement (continued)

6.5 Principle 2 – Structure the board to add value (continued)

Skills, knowledge and experience of the Board

The Board considers that its members collectively have the range of skills, experience and expertise required to govern RiverCity Motorway Group. Information about each of the Directors is detailed on pages 3 to 5 of the financial report.

The Board aims to have Directors with a range of qualifications and expertise appropriate to the activities and needs of the RiverCity Motorway Group and considers that the present seven Directors, meet this criteria. The Board has a majority of independent directors who each meet the independence criteria as set out in the ASXCGS recommendations.

Director education

The Group has a formal process to educate new Directors about the nature of the business, current issues, corporate strategy and the expectations of the Group concerning performance of Directors. Directors also have the opportunity to visit the Manager's facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each Director has the right of access to all relevant Group information and to the Group's executives, and subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Nomination and Remuneration Committee

The Board appointed a joint nomination and remuneration committee in July 2009. The Nomination and Remuneration Committee oversees the Director selection and appointment practices, Director performance evaluation processes and criteria, Board composition and succession planning for the Board and senior executives.

The committee is responsible for making recommendations to the Board on the:

- necessary and desirable competencies of Directors;
- size of the Board to encourage efficient decision making;
- selection and appointment of Directors;
- appointment of new Board candidates, having regard to their skills, experience and expertise;
- developing and reviewing induction procedures for new appointees to the Board to enable effective discharge of Directors duties;
- developing and reviewing continuing education measures to enhance Director competencies;
- overseeing the development and implementation of a process for evaluation of Board performance;
- reviewing the time required from non-executive Directors and whether the requirements are being met; and
- reviewing Board and senior executive succession plans and processes.

6. Corporate governance statement (continued)

6.5 Principle 2 – Structure the board to add value (continued)

Nomination and Remuneration Committee (continued)

The Committee also assists and advises the Board on remuneration policies and practices for the Board, the Chief Executive Officer, Chief Financial Officer, senior executives and other employees. The policies and practices are designed to:

- enable the Company to attract, retain and motivate Directors, executive and employees who will create value for shareholders;
- be fair and appropriate having regard to the performance of the Company and the relevant Director, executive or employee; and
- comply with the relevant legal requirements.

The Committee is responsible for making recommendations to the Board on the:

- remuneration framework for the chairperson and non-executive Directors;
- remuneration for the CEO and Senior executives;
- Company's recruitment, retention and termination policies for the CEO and senior executives;
- Incentive schemes, if appropriate, for the CEO and senior executives; and
- Equity based plans, if appropriate, for the CEO, senior executives and other employees.

The Committee ensure there is a clear distinction between the structure of non-executive Director's remuneration and that of senior executives, and where a proportion of senior executive's remuneration is structured in a manner designed to link rewards to corporate and individual performance it is appropriate to the Company's circumstances and goals.

The Nomination and Remuneration committee will comprise at least three members, a majority of whom are independent non-executive Directors. The Committee meets as frequently as required to perform its functions. The Committee chairperson may invite the Chief Executive Officer, Chief Financial Officer and external advisers to attend meetings of the Committee. The Committee is entitled to engage external remuneration consultants to provide information to the Committee.

The Nomination and Remuneration Committee members are:

- Ken MacDonald (Chairperson) – Independent Non-Executive Director,
- Robert Morris – Independent Non-Executive Director, and
- Charles Mott – Non-Executive Director (resigned 25 June 2010)

The Board performance evaluation for the current year was undertaken in August 2010. The Company Secretary acts as secretary to the Committee

The Stapled Trusts do not have senior executives. One of the responsibilities of the Manager under the Management Deeds is to provide the day-to-day executive functions in the management of the Group. The Manager is not paid a management fee under the Management Deeds. However it is entitled to be reimbursed for costs incurred in properly performing its functions and the Stapled Trusts and the related controlled entities will ultimately be liable for those costs.

Board processes

To assist in the execution of its responsibilities, the Board has established an Audit Risk and Compliance Committee. The Audit Risk and Compliance Committee has a written charter which is reviewed on a regular basis.

All Board meetings are conducted in accordance with the Group's constitutions and the *Corporations Act 2001*.

6. Corporate governance statement (continued)

6.5 Principle 2 – Structure the board to add value (continued)

Board processes (continued)

Directors are committed to collective decision making, but have a duty to question and raise any issues of concern to them. Matters are to be debated openly and constructively amongst the Directors. Individual Directors must utilise their particular skills, experience and knowledge when discussing matters at Board meetings.

The Board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Board currently holds ten scheduled meetings each year, plus extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairperson, CFO and Company Secretary. Standing items include the Chief Executive Officer's report, financial reports, strategic matters, governance and compliance. Board papers are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to the Manager's business operations, for contact with a wider group of employees.

A structured process has been established by the Board to review and evaluate the effectiveness of itself, individual directors and interactions with management on a regular basis.

6.6 Principle 3 – Promote ethical and responsible decision-making

Ethical standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the Group's Code of Conduct annually and processes are in place to promote and communicate these policies.

The Board has approved a Code of Conduct to help Directors, management and contractors to understand their responsibilities to uphold the guiding principles to which RiverCity Motorway Group aspires and to conduct business in accordance with those guiding principles. The Code is reflected in and supported by RiverCity Motorway Group's other internal policies and procedures.

The Board oversees the development, promotion and maintenance of the Code. The Code of Conduct incorporates a whistleblower policy that enables RiverCity Motorway Group employees to voice genuine concerns in relation to breaches of our guiding principles or laws or inappropriate workplace behaviour.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. 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.

6. Corporate governance statement (continued)

6.6 Principle 3 – Promote ethical and responsible decision-making (continued)

Code of Conduct

The Group has advised each Director, manager and employee that they must comply with the Code of Conduct. The Code of Conduct covers the following:

- aligning behaviour of the Board, management and employees with the Code of Conduct by maintaining appropriate core Group values and objectives;
- fulfilling responsibilities to unitholders by delivering unitholder value;
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- employment practices such as occupational health and safety, employment opportunity, community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation;
- conflicts of interest;
- corporate opportunities such as preventing Directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Group's assets;
- compliance with laws; and
- reporting of unethical behaviour.

Trading in general Group stapled units by Directors and employees

The key elements of the Group's Trading Policy are:

- to identify individuals restricted from trading. Directors and senior executives may acquire stapled units in the Group, but are prohibited from dealing in the Group's stapled units during the following black-out periods:
  - in the period from the end of the relevant financial reporting period until the preliminary announcement of the half-yearly or annual results;
  - in the period two weeks immediately before the release of any regular trading update;
  - at such other times as the Board of the Manager designates; and
  - whilst in possession of price sensitive information;
- to raise the awareness of legal prohibitions, including transactions with colleagues and external advisers;
- to require details to be provided of intended trading of the Group's stapled units;
- to require details to be provided of the subsequent confirmation of the trade; and
- to identify instances and processes where discretions may be exercised in unusual circumstances such as financial hardship.

The policy also details the insider trading provisions of the *Corporations Act 2001*.

6. Corporate governance statement (continued)

6.7 Principle 4 – Safeguard integrity in financial reporting

Audit Risk and Compliance Committee

The Audit Risk and Compliance Committee has a documented charter, approved by the Board. All members must be Non-executive Directors with a majority being independent. The Chairperson may not be the Chairperson of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit Risk and Compliance Committee are Bernard Rowley (Chairperson, Independent Non-executive Director), Ken MacDonald (Independent Non-executive Director), and Robert Morris (Independent Non-executive Director).

The Company Secretary acts as secretary to the Committee.

The Board annually reviews the composition of the Audit Risk and Compliance Committee. It most recently did so in August 2010. The Board confirmed that the composition of the Committee is appropriate and, in particular, complies with the recommendations of the ASXCGC.

The Audit Committee focuses on the following matters:

- the integrity of external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of the external auditors;
- the performance of the internal and external audit functions and review of the audits;
- the effectiveness of the system of risk management and internal controls; and
- the systems or procedures for compliance with applicable legal and regulatory requirements.

The Committee will liaise with the Manager in performing its role, as the Manager is responsible for the risk management and financial operations (including keeping accounting records and the preparation of financial statements) as part of the management services under the Management Deeds with RCMML.

The Committee reports, and recommends appropriate actions, to the Board on matters arising from the Committee's activities. The minutes of each meeting of the Audit Risk and Compliance Committee are considered at the next meeting of the Board, and the Committee Chairperson reports to the Board on issues of particular relevance to the Board. Papers for each meeting of the Audit Risk and Compliance Committee are made available for consideration before the meeting for all Committee members.

The Audit Risk and Compliance Committee met six times during the reporting period. Details of attendance by Committee members at Committee meetings are set out in the Directors' Report.

Each meeting of the Committee may also be attended by the CEO, CFO and Company Secretary. Other executives attend from time-to-time to report on matters within the Committee's areas of focus.

Representatives of the external auditors, KPMG, attended two meetings of the Audit Risk and Compliance Committee during the reporting period. These meetings included a private session between the Committee and the external auditors without any members of management present.

6. Corporate governance statement (continued)

6.7 Principle 4 – Safeguard integrity in financial reporting (continued)

Audit Risk and Compliance Committee (continued)

The Audit Risk and Compliance Committee's charter is available on the Group's website.

The responsibilities of the Audit Risk and Compliance Committee include:

- reviewing the appropriateness of the accounting principles in the composition and presentation of financial reports;
- overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- assessing significant estimates and judgments in financial reports;
- reviewing the Manager's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting of financial and non-financial information;
- assessing (before publication) whether external reporting is consistent with Committee members' information and knowledge and is adequate for unitholder needs;
- reviewing material documents and reports prepared for lodgement with regulators, assessing their impact and making recommendations to the Board;
- ensuring that a comprehensive continuous disclosure reporting process is established;
- reviewing the completeness and accuracy of the Group's main corporate governance practices as required by the ASX Listing Rules;
- assessing solvency and the going concern assumption; and
- recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

In fulfilling its responsibilities, the Committee will receive regular reports from the Manager.

6. Corporate governance statement (continued)

6.8 Principle 5 – Make timely and balanced disclosure

Communication with unitholders

The Board provides unitholders with information using a comprehensive Disclosure Policy which includes identifying matters that may have a material effect on the price of the Group's securities, notifying them to the ASX, posting them on the Group's website and issuing media releases. More details of the policy are available on the Group's website.

In summary, the Disclosure Policy operates as follows:

- the CEO, CFO and the Company Secretary (of RCMML and the Manager) are responsible for interpreting the Group's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX within the appropriate timeframes, and senior executives monitor all areas of the Group's internal and external environment;
- the full Annual Financial Report is available to all unitholders should they request it;
- the half-yearly interim report contains summarised financial information and a review of the operations of the Group during the period. The half-year interim financial report is lodged with ASIC and the ASX, and sent to unitholders who request it;
- proposed major changes in the Group which may impact on unit ownership rights are submitted to a vote of unitholders;
- meetings are held annually to provide unitholders with information, and an opportunity to meet members of the Board and senior management;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Group's website after they are released to the ASX; and
- the full text of notices of meetings and associated explanatory material are placed on the Group's website.

All of the above information is made available on the Group's website within the appropriate timeframes.

Community communications and participation

The Group is committed to ensuring positive relationships with our local community during operation and maintenance of the CLEM7.

On 28 February 2010, unprecedented support from the community was shown when more than 55,000 people attended the CLEM7 Community Open Day and Tunnel Run. The events raised more than $200,000 for local charities, including the Royal Children's Hospital Foundation, Rotary and Lions Clubs, and appealed to all levels of interest across Brisbane's diverse population.

More recently, more than $115,000 was raised when the CLEM7 was re-named the KIM7 tunnel for a day on 23 July 2010 in honour of the Kim Walters Choices Program. All tolls plus a company donation of $1 per vehicle were donated to the Program, which supports women and their families who are affected by breast and gynaecological cancers.

An Operations Community Liaison Group (OCLG) has been established, focusing on discussing, monitoring and minimising impacts of the tunnel and toll operation for surrounding businesses and residents. The OCLG has so far proven an invaluable forum for community representatives to report on and raise issues following opening and commissioning of the tunnel.

Community relationships will continue to be fostered through open communication with our local community. These include CLEM7 community newsletters, the website and freecall 1800 number.

6. Corporate governance statement (continued)

6.9 Principle 6 – Respect the rights of unitholders

The Group elects to hold an annual information update meeting for unitholders. Because the Group is not required by law to hold an annual general meeting, there is usually no formal business to be considered at the annual meeting. However, unitholders are encouraged to participate in the annual meeting by asking questions about the Group's activities. Unitholders can submit questions in advance of the annual meeting. Frequently asked questions and answers will be posted on our website. The external auditor is invited to attend the annual meeting and is available to answer questions.

The Group's website provides a facility for unitholders to email investor queries for response, maintains a copy of all ASX releases as well as contact details of the Group's share registry, Link Market Services.

All unitholders receive electronic copies of the Group's annual report, unless they have elected to receive hard copies.

6.10 Principle 7 – Recognise and manage risk

Oversight of the risk management system

The Board oversees the establishment, implementation and annual review of the Group's risk management system. The Manager has established and implemented the risk management system for assessing, monitoring and managing operations, financial reporting, and compliance risks for the Group.

The CEO and CFO have declared, in writing to the Board that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole reporting period and the period up to the signing of the Annual Financial Report for all material operations in the Group.

Risk profile

The CEO and senior management are responsible for implementing the risk management plan, including developing, monitoring and reporting on risk procedures and treatment plans. A risk register is maintained setting out all risks identified and is reviewed quarterly. Based on analysis of likelihood and consequence, each risk is rated low, medium or high, and an assessment of residual risk is made after application of those treatments.

The risk register is updated and provided to the Board on a quarterly basis with the Audit Risk and Compliance Committee undertaking a detailed review quarterly.

6. Corporate governance statement (continued)

6.10 Principle 7 – Recognise and manage risk (continued)

Risk management and compliance and control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. Comprehensive internal control systems have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures are controlled, including the use of derivatives;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel is maintained;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Quality and integrity of personnel

Formal appraisals are conducted at least annually for all employees of the Manager. Training and development, appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

Financial reporting

The CEO and CFO have declared in writing to the Board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly management results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Group's construction phase was subject to environmental regulation under the Commonwealth, State and local legislation in relation to the design and construction of the CLEM7. The Group's design and construction contractor established and maintained an environmental management plan.

The CEO and Engineering Manager monitor the environmental management plan. The design and construction contractor reports monthly on the environmental management plan outcomes.

Based on the results of enquiries made and reports received, the Board is not aware of any significant breaches during the period covered by this report.

The Group's operations and maintenance contractor has established and maintained an environmental management plan. The operations and maintenance contractor reports monthly against this plan. The CEO and Engineering Manager monitor the operation's environmental management plan.

6. Corporate governance statement (continued)

6.11 Principle 8 – Remunerate fairly and responsibly

Remuneration Report

Principles of compensation

Remuneration is referred to as compensation throughout this report.

The management of the Group is outsourced to the Manager who in turn employs the key management personnel (other than Directors of RCMML).

Key management personnel of the Manager, have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of RCMML and executives for the Manager including the five most highly remunerated S300A executives.

Compensation levels for key management personnel and secretaries of the Group and key management personnel of the Manager are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The Board of the Manager obtains independent advice on the appropriateness of compensation packages given trends in comparative companies and the objectives of the Group's compensation strategy.

Compensation packages may include a mix of fixed and variable compensation.

Executive remuneration policy

Executive remuneration arrangements are designed to reward employees competitively and appropriately for their individual performance, including their contribution to the business results delivered. Individual remuneration is aligned with contribution towards achievement of the Group objectives.

Service contracts for senior executives, including the CEO, are unlimited in term. Each contract can be terminated by the giving of a fixed period of notice. The Manager, RCMS, has the right to terminate the contract immediately, by making a payment in lieu of notice.

Executive remuneration is made up of a fixed component and an at-risk component. The fixed component is structured as a total employment cost package, including cash, voluntary superannuation and benefits. Fringe benefits tax costs are taken into account in the total employment cost calculation. The fixed component is set by reference to the scope and nature of the executive's role, and the executive's performance and experience. It is reviewed annually by reference to market benchmarks, the executive's performance and any changes in the executive's role or responsibilities.

The at-risk component of executive remuneration is linked to the achievement of individual key performance indicators. The at-risk remuneration component is paid in cash.

Individual goals for each executive are tailored to the accountabilities of the executive's role and the capacity of the executive to affect RiverCity Motorway Group's performance. Individual goals focus on the achievement of the Group objectives and vision.

The performance of the Group's senior executives has been assessed this year in accordance with the process adopted by the Board. The Chief Executive Officer's performance is formally assessed annually by the Chairman. The Chief Executive Officer is responsible for evaluating the performance of the Chief Financial Officer, the Investor and Corporate Relations Manager and the Engineering Manager.

RiverCity Motorway Group does not currently provide any equity-based incentives, nor incentives related directly to total unitholder returns.

6. Corporate governance statement (continued)

6.11 Principle 8 – Remunerate fairly and responsibly (continued)

Remuneration Report (continued)

Performance of RiverCity Motorway Group

The Group's strategic goals for the year ended 30 June 2010 measured performance in risk management, supporting completion of the CLEM7 as a quality project, developing relationships with key stakeholders (including BCC, the community and investors), achieving Tollroad Completion on 15 March 2010 and adding unitholder value.

In reviewing performance against these strategic goals, the Board principally considered reports from management at each regular meeting of the Board. The Chairman and other Directors of RCMS attended meetings on key issues with senior personnel of the construction contractor, LBBJV. The Board also received reports and presentations from independent consultants, particularly with respect to the perceptions of key stakeholders. The Board is satisfied that these methods were adequate to enable it to assess performance against the goals. The Board determined that the goals set in each of these areas were substantially achieved during the reporting period.

The Board has approved goals for the year ending 30 June 2011 to measure performance of the Group preparations in operating the CLEM7.

Key management personnel (other than Directors)

The key management personnel are the four executives detailed below, who collectively have the greatest authority for the strategic direction and management of RiverCity Motorway Group. This section contains information relating to the Group's key management personnel.

The Group (through RCMS) and each key management personnel have entered into a service contract that sets out the remuneration and other terms of employment of the key management personnel. Each services contract outlines the components of remuneration (including eligibility for incentives), but does not prescribe the level of remuneration from year-to-year.

Service contracts do not have a specified term.

The service contracts for the key management personnel contain the following termination provisions. The Group may give a payment in lieu of notice equivalent to the remuneration for the notice period.

6. Corporate governance statement (continued)

6.11 Principle 8 – Remunerate fairly and responsibly (continued)

Remuneration Report (continued)

Key management personnel (other than Directors) (continued)

Name	Notice by Group	Notice by Employee	Termination Provisions
Flan Cleary Chief Executive Officer	18 months	6 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.
Christine Hayward Chief Financial Officer	18 months	3 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.
Anthony Havers Investor Relations and Corporate Communications Manager	12 months	3 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.
Colin Richmond Engineering Manager	12 months	3 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.

RiverCity Motorway Group has not provided any loans to executives or Directors.

At-risk remuneration

The table below summarises the at-risk component of the remuneration under the service contracts between the Group and the key management personnel who are in office as at the date of this report.

Name	Short Term Incentives (Annual)*
Flan Cleary	Discretionary
Christine Hayward	$20,000
Anthony Havers	$20,000
Colin Richmond	Discretionary

* Higher amounts may be paid at the Board's discretion.

6. Corporate governance statement (continued)

6.11 Principle 8 – Remunerate fairly and responsibly (continued)

Remuneration Report (continued)

At risk remuneration (continued)

Name	Milestone Retention Bonus
Flan Cleary	Up to 35% of base salary at defects completion
Christine Hayward	Up to 35% of base salary at 12 months after tolling system completion
Anthony Havers	Up to 35% of base salary at defects completion
Colin Richmond	Up to 35% of base salary at defects completion

Remuneration paid to responsible entity

Details of remuneration for key management personnel for the year ended 30 June 2010 are set out below. No long term incentive payments were made during the current or prior period.

The responsible entity, RCMML received no management fees from outside of the RiverCity Motorway Group during the year (2009: $364,667). Full details of the responsible entity arrangements are included at Note 28 of the notes to the financial statements.

Remuneration policy

The remuneration of Non-executive Directors is related to the extent of their involvement at Board and Committee level. The Board is conscious that the remuneration for Non-executive Directors should be set at a level that takes account of the time commitment levels and will attract the calibre of Director required to contribute to a high-performing Board.

Each Non-executive Director is paid a fixed annual fee. The fees paid to the Non-executive Directors are periodically reviewed by the Board having regard to the matters described above.

No remuneration was paid to Thao Oakey during the period as she was appointed as an alternate Director for Peter Hicks.

Other than for statutory superannuation, there is no provision for retirement allowances for Non-executive Directors, nor for payment of compensation on early termination of their appointment.

As outlined in the Group's Product Disclosure Statement of June 2006, the base remuneration paid to Non-executive Directors for the year ended 30 June 2010 (and prior period), and payable for the year ending 30 June 2010 is as follows:

	30 June 2010	30 June 2009
Base fee – Chairman	$175,000	$175,000
Base fee – Non-executive Directors	$70,000	$70,000
Base fee – Sponsor appointed Directors	$70,000	$70,000
Base fee – Independent Non-executive Directors (including Audit, Risk and Compliance Committee Duties)	Between $30,000 and $32,500	Between $30,000 and $32,500

6. Corporate governance statement (continued)

6.11 Principle 8 – Remunerate fairly and responsibly (continued)

Remuneration Report (continued)

Directors Interests

The relevant interest of each Director in stapled units in the Group, as notified by the Directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001* at the date of this report is as follows:

Name	Balance at the start of year (or date of appointment)	Units acquired/ (disposed) during the period	Balance at the end of the year (or date of resignation)
Directors of RiverCity Motorway Management Limited			
Robert Morris	255,993	-	255,993
John Barry	-	-	-
Bernard Rowley	25,600	-	25,600
Ken MacDonald	89,598	-	89,598
Peter Hollingsworth	12,800	-	12,800
Peter Hicks *	546,474	(250,000)	296,474
Thao Oakey	100,000	-	100,000
Charles Mott **	25,000	-	25,000
David Howell ***	-	-	-

* Disposal of units was made in accordance with prior approval of the Chairman and the Group's trading policy on 21 July 2010.
** Resigned 25 June 2010.
*** Appointed 21 July 2010.

Stapled Unit Holdings

The numbers of stapled units in the RiverCity Motorway Group held during the year by each of the key management personnel of the Group, including their personally-related entities, are set out below.

Name	Balance at the start of year	Units acquired during the year	Balance at the end of the year (or date of resignation)
Key management personnel of the RiverCity Motorway Group (RiverCity Motorway Services Pty Limited)			
Flan Cleary	-	-	-
Christine Hayward	-	-	-
Anthony Havers	-	-	-
Colin Richmond	-	-	-
Teisha Peterson *	-	-	-

* Resigned 15 June 2010

Nil movements in units in 2010.

7. Principal activities

RiverCity Motorway Group was awarded the 45 year Concession to finance, design, construct and operate the CLEM7 and commenced trading on the ASX on 4 August 2006. The principal activities of the Group during the course of the reporting period were to monitor the construction progress of the CLEM7, finalise construction and open to traffic on 16 March 2010, commencement of tolling of the CLEM7 and subsequent to year end, commencement of tolling of the Go Between Bridge (Hale Street Link) on 5 July 2010.

8. State of affairs

Other than described in section 5 above and elsewhere in this report, there were no significant changes in the nature of the activities of the Group during the year.

9. Distributions

There were no distributions declared by the Group or cash distributed to unitholders during the financial year.

10. Distribution Reinvestment Plan

There was no unitholders participation in the Distribution Reinvestment Plan (DRP) during the financial year.

11. Events subsequent to reporting date

In the opinion of the Directors, other than identified in section 5 above and elsewhere in this report, no matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

12. Likely developments

Information on likely developments in the operations of the Group and the expected results of those operations have not been included in this report, other than those matters disclosed in this report and referred to in the Group's ASX release of 31 August 2010.

13. Retirement, election and continuation in office of Directors

There is no requirement for Directors to retire by rotation within the Board Charter.

14. Indemnification and insurance of Directors and officers

Each Director, Company Secretary and every other person who is or has been a RiverCity Motorway officer is indemnified to the extent permitted by law, against:

- liability to third parties arising out of conduct undertaken in good faith in their capacity as a RiverCity Motorway officer; and
- the costs and expenses of defending legal proceedings arising out of conduct undertaken in their capacity as a current or former RiverCity Motorway officer, unless the defence is unsuccessful.

No indemnities were paid to current or former officers during or since the end of the year.

No insurance premiums are paid for out of the assets of the Trust in regard to insurance cover provided to RCMML. So long as RCMML acts in accordance with the Trust Constitutions and the Law, RCMML remains indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust. The auditor of the Trust is not indemnified out of the assets of the Trust.

15. Non-audit services

During the year KPMG, the Group's auditor, has performed no other services in addition to their statutory duties.

The Board considers non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Risk and Compliance Committee, satisfies itself that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as it did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
In AUD	**2010**	**2009**
Audit Services		
Statutory Audit Services		
Audit and review of financial reports	133,100	136,180
Compliance plan audit	21,600	21,000
RCMML audit of financial report	13,400	19,500
RCMML Australian Financial Services License	11,800	11,500
	179,900	**188,180**
Other services		
Accounting advice	-	-
	179,900	**188,180**

The Group may only decide to employ the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Group are important and do not impact on the independence, integrity and objectivity of the auditor.

16. Rounding off

The Group is of a kind referred to in Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors of RiverCity Motorway Management Limited.

Robert Morris, Chairman
Brisbane, 29 September 2010

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of RiverCity Motorway Management Limited, the responsible entity of RiverCity Motorway Holding Trust and RiverCity Motorway Investment Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG

KPMG

Scott Guse

Scott Guse
Partner

Brisbane

29 September 2010

Consolidated Statement of Financial Position
as at 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Current Assets			
Cash and cash equivalents	11	9,414	14,372
Other financial assets	11	169,982	64,079
Spare Parts		584	-
Receivables	16	8,170	153,648
Capital Works in Progress	14	-	353,243
TOTAL CURRENT ASSETS		**188,150**	**585,342**
Non-Current Assets			
Plant and equipment	13	4,027	1,444
Intangible assets	17	258,738	1,377,460
Other non-current assets		6,008	10,451
Deferred tax assets	10(c)	-	28,383
TOTAL NON-CURRENT ASSETS		**268,773**	**1,417,738**
TOTAL ASSETS		**456,923**	**2,003,080**
Current Liabilities			
Trust distribution payable		5	9
Employee benefits	27	185	100
Trade payables	18	15,093	73,064
Other liabilities		-	1,320
Loans and borrowings	19	-	595,609
Lease liabilities		9	8
Current tax liability		68	90
Hedge liabilities	5	14,620	59,851
TOTAL CURRENT LIABILITIES		**29,980**	**730,051**
Non-Current Liabilities			
Loans and borrowings	19	1,336,000	551,972
Lease liabilities		15	24
Deferred tax liability	10(c)	516	-
Hedge liabilities	5	46,045	4,327
TOTAL NON-CURRENT LIABILITIES		**1,382,576**	**556,323**
TOTAL LIABILITIES		**1,412,556**	**1,286,374**
NET (LIABILITIES)/ASSETS		**(955,633)**	**716,706**
EQUITY			
Issued capital / units		749,205	639,303
Deferred capital / unit contribution		-	109,902
Accumulated profits (losses)		(1,653,593)	(19,775)
TOTAL (DEFICIENCY)/EQUITY ATTRIBUTABLE TO UNITHOLDERS		**(904,388)**	**729,430**
Non-controlling interest		(51,245)	(12,724)
TOTAL (DEFICIENCY)/EQUITY ATTRIBUTABLE TO STAPLED UNITHOLDERS	20	**(955,633)**	**716,706**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Revenue			
Tolling revenue		5,236	-
Tolling system build revenue		3,115	-
Construction revenue		526,427	616,283
Income			
Other Income	4	12,656	12,153
		547,434	**628,436**
Expenses			
Tolling and customer service		2,428	-
Operations and maintenance		8,692	-
Administrative expenses		20,083	12,653
Construction expenses		526,427	616,283
Impairment of intangible assets		1,560,000	-
Depreciation and amortisation	7	12,390	55
		2,130,020	**628,991**
Results from operating activities		**(1,582,586)**	**(555)**
Financial income	8	5,049	5,066
Financial expenses	8	58,349	16,013
Derivative income	8, 5	-	-
Derivative expenses	8, 5	7,435	125,186
Net financing income/(expense)	8	**(60,735)**	**(136,133)**
Profit (Loss) before income tax expense		**(1,643,321)**	**(136,688)**
Income tax expense/(benefit)	9	29,018	(39,614)
Profit (Loss) after income tax expense / Total Comprehensive Loss for the period		**(1,672,339)**	**(97,074)**
Net loss attributable to			
Unitholders		(1,633,818)	(92,501)
Non-controlling interest		(38,521)	(4,573)
Net loss for the period		**(1,672,339)**	**(97,074)**
Total comprehensive loss attributable to			
Unitholders		(1,633,818)	(92,501)
Non-controlling interest		(38,521)	(4,573)
Total comprehensive loss for the period		**(1,672,339)**	**(97,074)**
Loss per stapled unit		**Cents**	**Cents**
Basic loss per unit		(192.79)	(23.26)
Diluted loss per unit		(192.79)	(23.26)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2010

	Issued Capital $'000	Deferred Capital $'000	Accumulated Profits/ (Losses) $'000	Total $'000	Non-controlling interest $'000	Total $'000
Opening balance 1 July 2009	639,303	109,902	(19,775)	729,430	(12,724)	716,706
Total loss after tax / comprehensive loss for the period	-	-	(1,633,818)	(1,633,818)	(38,521)	(1,672,339)
Transactions with owners, recorded directly in equity						
Deferred Equity Contribution 15 March 2010	109,902	(109,902)	-	-	-	-
Total transactions with owners	109,902	(109,902)	-	-	-	-
Closing balance at 30 June 2010	749,205	-	(1,653,593)	(904,388)	(51,245)	(955,633)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2009

	Issued Capital $'000	Deferred Capital $'000	Accumulated Profits/ (Losses) $'000	Total $'000	Non-controlling interest $'000	Total $'000
Opening balance 1 July 2008	639,303	109,902	72,726	821,931	(8,151)	813,780
Total loss after tax / comprehensive loss for the period	-	-	(92,501)	(92,501)	(4,573)	(97,074)
Closing balance at 30 June 2009	639,303	109,902	(19,775)	729,430	(12,724)	716,706

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Cash Flows from Operating Activities			
Receipts from customers		5,572	-
Payments to suppliers and employees		(30,189)	(16,824)
Income taxes paid		(141)	-
Interest received		4,682	5,160
Interest paid		(110,880)	(60,864)
Net Cash Outflow from Operating Activities	12	**(130,956)**	**(72,528)**
Cash Flows from Investing Activities			
Payments for intangible asset and capital works in progress		(561,101)	(600,154)
Receipt for option cancellation		3,900	-
Payments for plant and equipment		(2,509)	(924)
Net Cash Outflow from Investing Activities		**(559,710)**	**(601,078)**
Cash Flows from Financing Activities			
Proceeds from issue of units		155,000	-
Council works receipt		502,826	-
Proceeds from borrowings		762,399	679,856
Repayment of borrowings		(628,610)	-
Distributions to unitholders		(4)	(15,218)
Net Cash Inflow from Financing Activities		**791,611**	**664,638**
Net Increase (Decrease) in Cash Held		100,945	(8,968)
Cash and cash equivalents at the beginning of the period		78,451	87,419
Cash and cash equivalents at the end of the period (1)	11	**179,396**	**78,451**

(1) Comprises cash and cash equivalents at the year-end $9,414,000 (2009: $14,372,000) and other financial instruments which comprise short-term bank bills and negotiable certificates of deposit $169,982,000 (2009: $64,079,000).

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

1. Reporting entity

In respect of the year ended 30 June 2010, the Directors of RiverCity Motorway Management Limited (ABN 33 117 343 361 / AFSL 297 867), being the responsible entity of the RiverCity Motorway Holding Trust (RCMHT) and RiverCity Motorway Investment Trust (RCMIT) stapled group and their controlled entities (RiverCity Motorway Group / Group), submit the financial report of the Group for the year ended 30 June 2010 and the auditors report thereon.

RiverCity Motorway Management Limited (RCMML) is a wholly owned subsidiary of RiverCity Motorway RE Holdings Pty Limited (RCMRE).

The units of RCMHT and RCMIT are stapled together and quoted as one on the ASX Limited (ASX).

RCMHT and RCMIT were established in Australia. Under the Trust Deed they have been set up as 'indefinite' life trusts. As these trusts will never terminate, contributions by unitholders have been classified as equity in the Statement of Financial Position.

The Group was listed on the ASX on 3 August 2006. The ASX reserves the right (but without limiting its absolute discretion) to remove RCMHT or RCMIT or both from the official list if any of the units in RCMHT and the units in RCMIT cease to be stapled together, or any equity securities are issued by either of the Stapled Trusts which are not stapled to equivalent securities in the other entity.

2. Basis of preparation

(a) Liquidation (orderly wind down) basis of preparation of the Consolidated Financial Statements

Key milestones achieved by the Group in 2010 are as follows:

- Opening of the Clem Jones tollroad (CLEM7), approximately 7 months ahead of schedule, on 16 March 2010.
- Average daily traffic volumes for the toll free period from 16 March to 5 April 2010 was 59,109.
- Average daily traffic volumes for the $2.95 (per car) toll period from 6 April to 30 June 2010 was 21,744.
- On 1 July 2010, the toll price was reduced to $2 (per car) which has seen an increase in traffic volumes through this period.
- The average daily traffic volume for September 2010, up until report signing date was 28,491.

Tollroad operations typically experience a traffic ramp-up period. The original expectation for the CLEM7 tollroad was a ramp-up period of 18 to 24 months from March 2010 as outlined in the final 2006 Product Disclosure Statement.

As outlined in the timetable above, the first six months traffic volumes indicate that the ramp-up period may be longer and the future toll price may need to be lower than original expectations. Further details on the underlying traffic volume and tolling revenue assumptions are set out at Note 17 "Non-current Assets – Intangibles".

The Group has appointed Integrated Management Information Systems Pty Ltd (IMIS) to provide an expert view on traffic volumes. This assessment will consider factors such as nearby land use, economic and population growth, toll pricing strategies, Airport Link opening, and growth in traffic across the Brisbane River. This report is expected to be available by the end of 2010.

As a result of the uncertainty regarding the traffic volumes and toll prices for the remaining 41 year concession period, the Directors have considered a number of different traffic volumes and tolling revenue forecast scenarios. The current cash flow projections indicate sufficient cash reserves to fund cash shortfalls to at least September 2011, which is at least twelve months from the date of this report. The cash reserves at 30 June 2010 are outlined in Note 11 "Cash and cash equivalents" in the Notes to the Financial Statements.

2. Basis of preparation (continued)

(a) Liquidation (orderly wind down) basis of preparation of the Consolidated Financial Statements (continued)

Based on current forecasts and existing financing arrangements, if there is not a significant increase in traffic volumes in the next 12 months, there is significant uncertainty over the Group's ability to meet its ongoing operating and financing commitments beyond September 2011. The Directors are cognisant that a significant improvement in traffic volumes, revenue growth and management of expenditure will be necessary for the Group to stop drawing on cash reserves. At present the Directors and management continue to liaise closely with the Group's financiers and will actively explore options with them to sustain the Group in its current form until after Airport Link opens in mid-2012, which coincides with the first debt covenant test in June 2012.

The Directors also note that the RiverCity Motorway Group is in a net liability position at 30 June 2010. As at the report signing date the Directors are unaware of any event of default with its financing arrangements.

The Group has commenced preliminary discussions with its financiers but given the uncertainty of the outcome, coupled with the uncertainty of achieving significant increases in operational cash flows, these financial statements have been prepared as if an orderly wind down of operations may be necessary sometime after September 2011.

Accordingly, the Directors consider it is appropriate to prepare the Financial Report for the year ended 30 June 2010 on a liquidation basis, which would be based on an orderly wind down of operations. The comparative disclosures for 30 June 2009 were prepared on a going concern basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by Directors in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustments in the next period have been detailed within the Critical Accounting Estimates and Judgements (Note 2(g)).

In comparison to the Preliminary Financial Report released on 31 August 2010 which was prepared on a going concern basis, this liquidation (orderly wind down) basis has additional disclosures about the current state of affairs and the Group's future prospects. There have been no changes to the measurement of any of the underlying numbers to the financial statements. As outlined in Note 17, the intangible asset has been written down to recoverable amount using a fair value less cost to sell methodology. In addition, as these financial statements have been prepared as if an orderly wind down might occur after September 2011, there have been no changes to the classification of non-current assets and liabilities.

While the financial report has been prepared on a liquidation (orderly wind down) basis, the Directors do not, at the date of this report, have any intention to place the Group into administration or liquidation.

2. Basis of preparation (continued)

(b) Accounting policies impacted by liquidation (orderly wind down) basis of preparation

The Directors have applied the requirements of paragraph 23 of AASB 101 "Presentation of Financial Statements" which states that "when the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern".

The financial report has been prepared on a liquidation (orderly wind down) basis. The reason why the entity is not regarded as a going concern has been set out in Note 2(a) above. In determining the appropriate accounting policies to adopt on a liquidation (orderly wind down) basis, the Directors have assumed that the Group will continue to operate with sufficient cash for the next twelve months from the date of this report, but may need to undertake an orderly wind down shortly thereafter in the absence of significant increases in operational cash flows and/or suitable arrangements agreed with the Group's financiers. The Directors have assumed that, if required, the most likely wind down scenario would involve the sale of the Group infrastructure rather than immediate liquidation of the individual assets.

Given the uncertainties in valuing assets and liabilities on a liquidation basis, it is likely that the valuation of assets and liabilities included in these financial statements may differ from actual results.

In adopting the liquidation basis the Directors have continued to apply the requirements of Australian Accounting Standards. Accordingly as the non-current assets do not meet the requirements for held for sale or discontinued operations under AASB5, they continue to be recognised as non-current assets at cost. They have been subject to impairment testing under AASB136 and AASB139. Details of writedowns/impairments are set out in Note 17. Similarly as debt covenants have not been breached, the Directors continue to consider the existing debt should be classified as non-current. No additional provisions or liabilities have been recognised as a result of a possible orderly wind down scenario as the Directors have not incurred any additional legal or contractual obligations. Accordingly, non-current liabilities have been determined based on the policies set out in Note 3.

(c) Statement of compliance

The consolidated financial statements are 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 statements of the Group also comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Directors of RCMML on 29 September 2010.

(d) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments that are measured at fair value.

(e) Changes in accounting policies

Commencing 1 July 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments; and
- Presentation of financial statements.

2. Basis of preparation (continued)

(f) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Parent's functional currency. The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(g) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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.

The key critical estimates made by the Group are:

- Forecast traffic usage of the motorway and toll prices. This traffic usage estimate is key in assessing the impairment to the Group's intangible asset carrying value and future cash flows. Refer Note 17 "Non-current assets – intangibles"; and
- The adoption of liquidation basis of accounting Note 2(a) above.

The Directors believe that the estimates used in preparing the financial statements are reasonable but recognise that there is a wide range of possible scenarios which could arise which may result in a materially different outcome in future periods.

Given the uncertainties in valuing assets and liabilities on a liquidation basis, it is likely that the valuation of assets and liabilities included in these financial statements may differ from actual results.

3. Significant accounting policies

The financial statements have been prepared by consolidating the financial statements of all the entities that comprise RiverCity Motorway Group. Consistent accounting policies have been employed in the preparation and presentation of the financial statements.

(a) Basis of consolidation

(i) Stapling

The units of RCMHT and RCMIT are combined and issued as stapled units on the Australian Securities Exchange. The units of the Trusts cannot be traded separately and can only be traded as stapled units.

The Group financial statements reflect the aggregation of the consolidated financial statements of RCMHT and RCMIT. For statutory reporting purposes, in accordance with the requirements of AASB 3, RCMHT has been identified as the acquirer in the Stapled Group based on the size of its net assets and its operations and accordingly, it will present the consolidated financial report of the Stapled Group.

These aggregated financial statements incorporate an elimination of inter-entity balances and other adjustments necessary to present the financial statements on a combined basis.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Stapling (continued)

Non-controlling interests represent the equity attributable to the unitholders of RCMIT. Non-controlling interests are defined as that portion of the profit and loss and net assets of RCMIT and its subsidiaries' as they are not owned, directly or indirectly through subsidiaries, by the Parent. On the basis that there is no ownership interest between the entities involved in the stapling arrangement, the net assets of a consolidated entity shall be identified as non-controlling interests and presented in the consolidated statement of financial position within equity, separately from the parent unitholders equity. The profit or loss of the acquiree is separately disclosed as non-controlling interests in the profit or loss of the Group.

(ii) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2010 and the results of all subsidiaries for the financial year then ended. RCMHT and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 3(n)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

(b) Financial instruments

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

(ii) Transaction costs on the issue of equity instruments

Transactions costs arising on the issue of the Stapled Units are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transactions costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

(iv) Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the reporting date.

All of the Group's other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Accounting for finance income and expense is discussed at Note 3(l).

(v) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposure, including interest rate swaps. Derivatives are recognised initially at fair value on the date a derivative contract is entered into, attributable transactions costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Derivatives which do not qualify for cashflow hedge accounting are recognised at fair value through the statement of comprehensive income.

In accordance with its treasury policy, the Group does not hold or issue financial instruments for trading purposes.

(c) Equity/unitholders funds

Ordinary units

Incremental costs directly attributable to issue of equity/unitholders funds are recognised as a deduction from equity, net of any related income tax benefit.

(d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter term of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives of each class for the current year are:

Plant and Equipment	2 – 20 years (2009: 2-15 years)
Lease assets	5 years (2009: 5 years)

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

3. Significant accounting policies (continued)

(e) Distributions

A provision for trust distributions will be recognised on an accruals basis.

(f) Capital works in progress

The Group managed the outsourced construction of various entry and exit points to the Clem Jones Tunnel (CLEM7) on behalf of the Brisbane City Council (BCC) during the year. The costs of this construction have been recorded in capital works in progress and have been paid for by BCC at construction completion. Payment from BCC was received on Tolling System Completion in March 2010.

(g) Intangible assets

(i) Expenses carried forward

Project deed for RiverCity Motorway Project – Clem Jones Tunnel (North-South Bypass Tunnel)

The CLEM7 Tollroad was opened to general traffic on 16 March 2010. Costs associated with the project deed (concession deed) for the RiverCity Motorway Project were capitalised up to this date. These costs will be amortised on a straight line basis over the period during which the benefits are expected to arise, which is approximately 41 years and four months to September 2051.

The RiverCity Motorway Group recognised an intangible asset arising from a service concession in accordance with Interpretation 12 *Service Concession Arrangements.*

Therefore, in accordance with the interpretation, during construction an intangible asset, representing the cost of construction services provided in exchange for the right to the project deed, was recognised as BCC does not have the primary obligation to pay RiverCity Motorway Group for the concession services. No profit or loss has been recognised on the exchange of the construction services for the intangible asset.

The cost of intangibles, relating to future tolling rights includes:

- Costs incurred by the Group prior to entering into the concession deed with BCC in relation to the design and construction of the CLEM7;
- All directly related expenditure incurred in construction of the assets comprising the CLEM7; and
- Interest payments on loans relating to the project up to the date of commencement of operations.

The right to the project deed is amortised over the period of the project deed, from construction completion.

(ii) Amortisation

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the day they are available for use. The estimated useful life for the current year and prior period is as follows:

• tolling rights	41 years and 4 months
• tolling system	5 years

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

3. Significant accounting policies (continued)

(h) 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Group'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 then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(i) Revenue and income

Revenue

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Construction revenue

Construction revenue represents the contractual arrangements arising from the Group project managing construction of the toll road and associated council works. A corresponding expense item is recorded.

(ii) Tolling revenue

Revenue is measured at the fair value of the consideration received or receivable. Specifically, toll charges and related fees are recognised when the charge is incurred by the customer.

(iii) Tolling system build revenue

Tolling system build revenue is earned through the building of tolling software and systems to tollroads external to the RiverCity Motorway Group. During the period, RiverCity Motorway Group provided tolling system build services to the Go Between Bridge.

Income

Derivative income represents the change in fair value of hedging instruments that are recorded at fair value through the profit and loss.

Other income earned during construction primarily relates to the earning of interest on cash, deferred capital injections and the land option (refer Note 4). Other income is being earned as it accrues.

The interest on the land option relates to the fair value of land to be received by the Group. This land was provided by BCC as part of the project deed, and its primary use is to facilitate access to and from the construction site. This income, being the fair value of the land provided by BCC, was being earned over the construction period (approximately 4 years) which was the period over which the Group benefited from this land.

(j) Employee benefits

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or construction obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

3. Significant accounting policies (continued)

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Finance income and expenses

Finance income comprises interest income on funds invested and gains on interest rate swaps. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, losses on interest rate swaps and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method, except those which are capitalised to the intangible asset.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised using the balance sheet method. Temporary differences are the differences that arise between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base for an asset or liability is the amount attributed to it for tax purposes.

Prima facie a deferred tax liability will be recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- deferred tax liability in relation to taxable temporary differences arising from the initial recognition of goodwill.

3. Significant accounting policies (continued)

(m) Income tax (continued)

Deferred tax liabilities are recognised in relation to investments in subsidiaries, branches and associates, and interests in joint ventures except to the extent that there is control over the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Deferred tax assets relating to tax losses are recognised when the Group believes their recoverability is probable.

Deferred tax is measured at the tax rates that are expected to be applied in the period that the underlying asset or liability giving rise to the difference are realised, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the method settling the assets and liabilities as is held at reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the holder’s intention is to settle its current tax assets and liabilities on a net basis.

RiverCity Motorway Holding Trust

Pursuant to provisions of Division 6A of the Income Tax Assessment Act 1936 (the Act), it is intended that RCMHT will not be liable for income tax under the Act, to the extent that the unitholders are presently entitled to all of the net income of the Trust in each year. Accordingly, income tax and tax-effect accounting will not be applied in relation to RCMHT.

RiverCity Motorway Investment Trust

RCMIT is the head company of an income tax consolidated group and therefore is treated as a company for income tax purposes.

Tax consolidation

RCMIT and its wholly owned Australian resident entities have formed an income tax-consolidated group under Australian taxation law. RCMIT is the head entity of the income tax-consolidated group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group will be recognised in the separate financial statements of the members of the RCMIT income tax consolidated group using the ‘stand alone taxpayer’ approach. This is in line with the Tax Funding Agreement executed by the RCMIT income tax consolidated group.

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

3. Significant accounting policies (continued)

(n) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of the exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net asset acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(o) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(p) Borrowing costs

Borrowing costs comprise interest and amortisation costs incurred in establishing borrowing facilities.

Where borrowings are specifically incurred in relation to qualifying assets, the actual borrowing costs are capitalised into the carrying value of those assets. Where borrowings are not specifically incurred in relation to qualifying assets, the amount of borrowing costs to be capitalised to qualifying assets is determined by applying a capitalisation rate to the weighted average accumulated expenditure relating to qualifying assets during the period.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity’s outstanding borrowings during the period. Borrowing costs are capitalised up to the date when the asset is substantially complete and ready for use and are subsequently amortised over the useful life of the asset.

3. Significant accounting policies (continued)

(q) Trade and other debtors

Trade debtors and other debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision of impairment. Collectability of trade debtors and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the statement of comprehensive income.

(r) Trade and other creditors

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

(s) Lease payments

Payments made 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.

(t) Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by ASIC, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(u) Goods and services tax

Revenue, 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 taxation authority. 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 Australian Taxation Office (ATO) is included as a current asset or liability 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.

(v) Earnings/Loss per stapled unit

The Group presents basic and diluted loss per stapled unit (EPS) data for its ordinary stapled units. Basic EPS is calculated by dividing the profit or loss attributable to ordinary stapled unitholders by the weighted average number of ordinary stapled units outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary stapled unitholders and the weighted average number of ordinary unitholders outstanding for the effects of all dilutive potential ordinary stapled units.

3. Significant accounting policies (continued)

(w) Segment reporting

The Group determines and presents operating segments based on the information that is internally provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. However this does not change the presentation of segments for the Group.

(x) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the 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 Group'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 Group 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 Group'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 Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments Al 8 *Scope of AASB 2 and Al 11 AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments which will become mandatory for the Group's 30 June 2011 financial statements are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.
- AASB2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project (June 2010). The impact of this standard has not yet been assessed.
- AASB2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvement Project. The impact of this standard has not yet been assessed.

3. Significant accounting policies (continued)

(y) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective for this financial report. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements as of and for year ended 30 June 2010.

4. Income

	Consolidated	
	30 June 2010	**30 June 2009**
Other income	**$'000**	**$'000**
Amortised interest on deferred capital	11,336	9,069
Amortised interest on land option	1,320	2,856
Management Fees	-	228
	12,656	**12,153**

5. Derivative Income/Expense

RiverCity Motorway mitigates interest rate risk by entering into forward hedges that fix the interest payable on its debt facilities. The Group had fixed its interest at 100% for the construction debt facility nominal value and 70% of the term debt facility until 2016, six years after the planned opening to traffic. This level of hedging is required under Project and Finance documents.

During the year, the Group recorded a net Derivative Expense of $7,435,000 (refer Note 8) (2009: $125,186,000) due mainly to the early termination of the Equity Bridge Facility and Council Works Facility interest rate swaps at Tollroad Completion and Tolling System Completion respectively. The remaining interest rate swaps have been marked-to-market at 30 June 2010 to $14,620,000 current liability and $46,045,000 non-current liability (30 June 2009: $59,851,000 and $4,327,000 respectively).

6. Employee expenses

	Consolidated	
	30 June 2010	**30 June 2009**
	$'000	**$'000**
Wages and salaries	5,377	1,788
Other associated personnel expenses	335	127
Contributions to defined contribution superannuation funds	354	140
Increase in liability for annual leave	85	37
	6,151	**2,092**

7. Depreciation and amortisation expense

	Consolidated	
	30 June 2010	**30 June 2009**
	$'000	**$'000**
Amortisation of intangible tolling rights asset	11,720	-
Depreciation of plant and equipment	670	55
	12,390	**55**

8. Finance income and expense

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Finance income		
Interest	5,049	5,066
Derivative income	-	-
	5,049	5,066
Finance expense		
Interest expense	(58,349)	(16,013)
Derivative expense	(7,435)	(125,186)
	(65,784)	(141,199)
Net finance income and expense	**(60,735)**	**(136,133)**

9. Income tax

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Current tax expense		
Current period	4,294	(10,388)
Adjustment for prior periods	249	(206)
Deferred tax expense		
Origination and reversal of temporary differences	39,497	-
Income tax expense from continuing operations	(15,022)	(29,020)
Total income tax expense /(benefit)	29,018	(39,614)
Numerical reconciliation between tax expense and pre-tax accounting profit / (loss)		
Profit / (Loss) for the period	(1,672,339)	(97,074)
Total income tax expense / (benefit)	29,018	(39,614)
Profit / (Loss) excluding income tax	(1,643,321)	(136,688)
Income tax at entity rate 30% (2009: 30%)	(492,996)	(41,006)
Entities not subject to income tax	476,091	1,603
Assessable income within the tax group	6,329	-
Non-deductible expenses	(1)	(5)
Other	(151)	-
Under/(Over) Provided in prior years	249	(206)
Derecognition of deferred tax assets	39,497	-
Income tax expense / (benefit)	29,018	(39,614)

10. Tax assets and liabilities

		Consolidated	
		30 June 2010 $'000	30 June 2009 $'000
(a)	**Income tax expense**		
	Current tax	4,543	(10,594)
	Deferred tax	24,475	(29,020)
	Total income tax expense / (benefit)	29,018	(39,614)
(b)	**Deferred income tax expense**		
	Deferred income tax (revenue) expense included in income tax expense comprises:		
	Decrease (increase) in deferred tax assets		
	Hedges	1,055	(19,254)
	Other	(80)	(17,118)
	Provisions	(112)	64
	Accruals	(34)	(12)
	Derecognition of deferred tax assets	18,322	-
	Tax losses	-	(10,846)
	Derecognition of tax losses	21,175	-
		40,326	(47,166)
	(Decrease) increase in deferred tax liabilities:		
	Hedges	-	(18,303)
	Other costs	(15,850)	25,766
	Total movement in deferred tax balances	24,476	(39,703)
(c)	**Deferred tax asset and liability**		
	Deferred tax asset		
	Other	(65)	13,939
	Provisions	122	30
	Hedges	18,199	19,254
	Accruals	66	52
	Tax losses	21,175	25,568
	Subtotal of deferred tax asset	**39,497**	**58,843**
	Derecognition of deferred tax asset	(39,497)	-
	Capitalised interest and fees	30,834	21,570
	Balance at 30 June	**30,834**	**80,413**
	Deferred tax liability		
	Hedges	-	-
	Other costs	31,350	52,030
	Balance at 30 June	**31,350**	**52,030**
	Net deferred tax liability / (asset)	**516**	**(28,383)**

10. Tax assets and liabilities (continued)

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
(d) Unrecognised deferred tax assets		
Deductible temporary differences	18,322	-
Tax Losses	21,175	-
	39,497	-

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

(e) Tax structure

RiverCity Motorway Holding Trust

Pursuant to provisions of Division 6A of the Income Tax Assessment Act, it is intended that RCMHT will not be liable for income tax under the Act, provided that the taxable income of the Trust is fully distributed to unitholders each year. Accordingly, income tax and tax-effect accounting will not be applied in relation to RCMHT.

RiverCity Motorway Investment Trust

RCMIT is the head company of an income tax consolidated group and therefore is treated as a company for income tax purposes.

(f) Tax consolidation

Relevance of tax consolidation to the Group

RCMIT and its wholly-owned Australian resident entities have formed an income tax consolidated group effective 1 July 2006 under Australian taxation law. RCMIT is the head entity of the income tax consolidated group.

The members of the tax-consolidated group are RiverCity Motorway Holdings Pty Limited, RiverCity Motorway Services Pty Limited, RiverCity Motorway Pty Limited, RiverCity Motorway Asset Nominee 2 Pty Limited, RiverCity Motorway Asset Nominee Pty Limited, Flow Tolling Pty Ltd and RiverCity Motorway Construction Pty Limited. The decision to consolidate for tax purposes has been formally notified to the ATO.

Current tax expense/income, deferred tax liability and deferred tax assets arising from temporary differences of the members of the income tax consolidated group will be recognised in the separate financial statements of the members of the RCMIT income tax consolidated group.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries will be assumed by RCMIT as head company of the income tax consolidated group and will be recognised as amounts payable (receivables) to/(from) other entities in the income tax consolidated group in line with the Tax Funding Arrangement amounts (refer below). Any difference between these amounts will be recognised as an equity contribution or distribution.

(g) Nature of tax funding arrangements and tax sharing arrangements

RCMIT, in conjunction with other members of the tax-consolidated group, have entered into a Tax Funding Arrangements which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts.

The RCMIT income tax consolidated group has elected to apply the stand-alone taxpayer approach to determine the appropriate allocation of current tax expense and deferred tax assets and liabilities.

11. Cash and cash equivalents

For purposes of the Statements of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with original maturities of three months or less which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

	Consolidated	
	30 June 2010 $'000	**30 June 2009 $'000**
Cash at bank and on hand	9,414	14,372
Other financial assets	169,982	64,079
	179,396	**78,451**

The amount shown in Cash and Cash Equivalents includes $26,351,000 not available for general use at 30 June 2010 (2009: $5,500,000). This comprises amounts relating to prepaid tolls, restricted reserves and bank guarantees.

Other financial assets comprising short term deposits earn an average interest of 5.75% as at 30 June 2010 (2009: 6.46%).

12. Reconciliation of cash flows from operating activities

Cash flows from operating activities	Consolidated	
	30 June 2010 $'000	**30 June 2009 $'000**
Profit (loss) for the period	(1,672,339)	(97,074)
Adjustments for:		
Depreciation	670	57
Amortisation of intangible assets	11,720	-
Doubtful debts expense	104	-
Impairment of intangible	1,560,000	-
Net finance income / expense	(48,888)	(39,695)
Changes in payables relating to fixed asset/intangible purchases	(3,761)	-
Non-cash income items *(interest on land & deferred equity)*	(12,656)	(12,153)
Income tax expense	29,018	(39,614)
Operating profit before changes in working capital and provisions	**(136,132)**	**(188,479)**
Change in hedge asset and liabilities	(3,513)	125,414
Change in receivables	1,710	(2,623)
Change in trade and other payables	6,351	(5,401)
Change in prepayments	543	(1,476)
Change in provisions and employee benefits	85	37
Net cash from operating activities	**(130,956)**	**(72,528)**

13. Plant and equipment

	Consolidated		
	Plant and equipment $'000	Leased assets $'000	Total $'000
Cost			
Opening balance 1 July 2008	7	51	58
Additions	1,465	-	1,465
Balance at 30 June 2009	1,472	51	1,523
Opening balance 1 July 2009	1,472	51	1,523
Additions	3,253	-	3,253
Balance at 30 June 2010	4,725	51	4,776
Depreciation			
Opening balance 1 July 2008	3	21	24
Depreciation for the period	43	12	55
Balance at 30 June 2009	46	33	79
Opening balance 1 July 2009	46	33	79
Depreciation for the period	657	13	670
Balance at 30 June 2010	703	46	749
Written down value at 30 June 2010	4,022	5	4,027
Written down value at 30 June 2009	1,426	18	1,444

14. Capital works in progress

	Consolidated	
	Capital works in progress $'000	Total $'000
Cost		
Opening balance 1 July 2008	252,489	252,489
Costs capitalised	72,449	72,449
Interest capitalised	28,305	28,305
Balance at 30 June 2009	353,243	353,243
Opening balance 1 July 2009	353,243	353,243
Costs capitalised	136,442	136,442
Interest capitalised	13,141	13,141
Disposal to BCC	(502,826)	(502,826)
Balance at 30 June 2010	-	-

On 24 March 2010, the capital works in progress were disposed to Brisbane City Council in accordance with the North-South Bypass Tunnel Council Works Deed.

Interest was capitalised during the financial year at an effective interest rate of 5% (2009: 5%).

15. Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the Group, KPMG:

	Consolidated	
In AUD	**2010**	**2009**
Audit Services		
Statutory Audit Services		
Audit and review of financial reports	133,100	136,180
Compliance plan audit	21,600	21,000
RCMML audit of financial report	13,400	19,500
RCMML Australian Financial Services License	11,800	11,500
	179,900	**188,180**
Other services		
Accounting advice	-	-
	179,900	**188,180**

16. Receivables

	Consolidated	
Current	**30 June 2010**	**30 June 2009**
	$'000	**$'000**
Prepayments	2,277	2,322
Receivables	5,997	7,662
Deferred equity contribution(1)	-	143,664
Provision for doubtful debts	(104)	-
Total Current Receivables	**8,170**	**153,648**

The Group's exposure to credit risk and impairment losses related to receivables are disclosed in note 23 Financial instruments.

(1) Leighton and Bilfinger subscribed for 155 million stapled units at $1.00 per stapled unit on Tollroad Completion on, 15 March 2010. The $143,663,989 receivable in the prior year is shown at its present value at that date.

17. Non-current assets – intangibles

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Intangible Assets		
Design and development costs	134,365	107,805
Construction	1,622,132	1,230,614
Capitalised interest	73,961	39,041
Accumulated amortisation	(11,720)	-
Impairment	(1,560,000)	-
Total Intangible Assets	**258,738**	**1,377,460**

Interest was capitalised at an effective interest rate of 5% (2009: 5%).

	Tolling System $'000	Consolidated Future Tolling Rights $'000	Total $'000
Cost			
Opening balance 1 July 2008	1,387	791,429	792,816
Acquisitions	2,201	582,443	584,644
Balance at 30 June 2009	3,588	1,373,872	1,377,460
Opening balance 1 July 2009	3,588	1,373,872	1,377,460
Acquisitions	7,590	445,408	452,998
Balance at 30 June 2010	11,178	1,819,280	1,830,458

	Tolling System $'000	Consolidated Future Tolling Rights $'000	Total $'000
Amortisation and impairment losses			
Opening balance 1 July 2009	-	-	-
Amortisation for the year	652	11,068	11,720
Impairment loss	10,526	1,549,474	1,560,000
Balance at 30 June 2010	11,178	1,560,542	1,571,720
Written down value 30 June 2010	-	258,738	258,738

Clem Jones Tunnel CLEM7 tollroad concession

The RiverCity Motorway Group has a concession from Brisbane City Council to design, construct, operate and maintain the CLEM7 tollroad. The 45 year concession commenced on Financial Close on 4 August 2006. The toll charge was set at Financial Close, with maximum annual increases in toll levels in accordance with changes in the Consumer Price Index. The service arrangement has been recorded as an intangible "Future Tolling Rights" asset in accordance with Interpretation 12 Service Concession Arrangements, as set out in Note 3(g).

Impairment Assessment

At each reporting date the Group assesses whether there is any indication that the intangible asset may be impaired in accordance with its accounting policy stated in Note 3(h). Where an indicator of impairment exists, the Group then makes a formal estimate of the recoverable amount of the asset. The Group opened the toll road on 16 March 2010 and has experienced lower traffic volumes than was forecast in the Group's 2006 Product Disclosure Statement (PDS). This event has triggered a review to assess if there is an impairment of the Group's Future Tolling Rights asset (intangible asset).

17. Non-current assets - intangibles (continued)

Impairment Assessment (continued)

The Group has estimated the recoverable amount of the Future Tolling Rights asset using a fair value less cost to sell calculation. As there is no active market, the Group has estimated the fair value less cost to sell using discounted cash flow methodology. In assessing fair value less cost to sell, the estimated future operating cash flows from the concession over the remaining life of the concession are discounted to their present value. The discount rate reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate also has regard to appropriate tax and funding profiles for an asset of this type including an assessment of a sustainable level of debt assumed over the life of the project. The discount rate selected is equivalent to discounting the pre tax cash flows at a discount rate of 10.25% (30 June 2009: 10.88%). A cashflow model covering the full concession period has been used and is considered appropriate for these testing purposes given the single revenue stream and long term cashflows generated.

Fair value less cost to sell calculation

Solely for the purposes of the fair value less cost to sell and cashflow forecast (see Note 2a), a series of assumptions have been made by the Directors as to future traffic volumes. These assumptions on traffic have been based upon comparison to the PDS forecasts, preliminary advice from specialists and the short history of traffic at three different toll levels, namely toll-free from 16 March 2010 to 5 April 2010, 30% reduced tolls from 6 April 2010 to 30 June 2010 and 50% reduced tolls from 1 July 2010 to the date of this report. The minimal amount of historical traffic data (6 months) at a wide range of toll prices presents difficulties in forecasting future traffic volumes with a high level of accuracy. As a result, the Directors have considered a number of scenarios and sensitivity analyses on key assumptions in arriving at the impairment valuation.

Traffic estimate for impairment assessment

The first six months of vehicle traffic indicate that the ramp up period may be longer than the original forecasted ramp-up period of 18 to 24 months. In May 2010, the Group commissioned Integrated Management Information Systems Pty Ltd (IMIS) to prepare an independent review of its traffic forecasts. The report is expected to be available by the end of 2010.

In preparing the traffic estimate for the impairment assessment, the Group drew on several sources of information including a preliminary assessment on trends in CLEM7 tolled traffic based on data to August 2010 provided by IMIS for the purposes of the impairment assessment.

The traffic estimate used for the impairment assessment includes certain assumptions and has a number of unknown factors that may impact future traffic volumes. The estimate:

- Assumes that any changes in economic and/or social conditions in future years will not cause material changes in CLEM7 demand;
- Assumes there will be no material shift on the distribution of land-use which influences travel through the CLEM7 catchments.
- Assumes a 30% discount from the full toll permissible for the life of the concession. This traffic estimate was selected as the Group has no history of traffic at full toll. This assumption is not an indicator of the actual level of tolling that will be set by the Group from time to time.
- Assumes a continuing ramp up of traffic through to 2012-2013.
- Assumes linear growth in traffic beyond 2013;
- Does not reflect any future toll variations in Brisbane;
- Does not reflect the impact of Airport Link Motorway on CLEM7 traffic scheduled to open mid 2012;
- Does not reflect the possible impact of any other future transport infrastructure, policy or pricing changes in Brisbane.

17. Non-current assets - intangibles (continued)

Impairment Conclusion

Using these assumptions the impairment test shows a deficiency in fair value less cost to sell of $1,560m for the Future Tolling Rights asset (30 June 2009: excess value in use of $65 million over the carrying value of the asset). As a result, an impairment of $1,560m has been taken at 30 June 2010 (30 June 2009: no impairment). The Group notes that when the independent review of traffic forecasts is released or as further traffic history is accumulated, that the fair value less cost to sell may change, possibly to a material extent.

Sensitivity analysis

The impairment valuation estimate is sensitive to changes in assumptions. Sensitivities include assumptions regarding changes to traffic over the life of the concession, changes in the discount rate and modifications to the toll price. The following sensitivity scenarios are the estimated increase or decrease in the valuation by changing one variable set out in the first column while keeping the remaining variables the same as the base fair value less cost to sell result. Any sensitivity increase in valuation would decrease the $1,560m impairment by that amount, and vice versa:

Sensitivity scenario	Approximate $ Increase/ (Decrease) in valuation	Approximate % Increase/ (Decrease) in Valuation
Increase in traffic over entire concession period of 10%	$64m	25%
Decrease in traffic over entire concession period of 10%	($64m)	(25%)
Increase in discount rate by 100 basis points	($40m)	(16%)
Decrease in discount rate by 100 basis points	$51m	20%
Change in assumed toll discount of 30% to toll discount of 25% over entire concession	$49m	19%
Change in assumed toll discount of 30% to toll discount of 35% over entire concession	($49m)	(19%)

The RiverCity Motorway Group will review and perform the impairment test at each half year and will continue to review traffic data in assessing estimates used in the value in use calculation.

18. Trade and other payables

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Trade creditors and accruals	15,093	73,064
	15,093	73,064

19. Loans and borrowings

Current	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Equity Bridge Facility	-	145,119
Council Works Facility	-	453,289
Sub total	**-**	**598,408**
Less deferred debt establishment costs	-	(2,799)
Loans and borrowings	**-**	**595,609**

19. Loans and borrowings (continued)

Non-current	**Consolidated**	
	30 June 2010	**30 June 2009**
	$'000	**$'000**
Equity Bridge Facility	-	-
Council Works Facility	-	-
Construction Facility	-	565,772
Term Facility – Tranche A	668,000	-
Term Facility – Tranche B	668,000	-
Sub total	**1,336,000**	**565,772**
Less deferred debt establishment costs	-	(13,800)
Loans and borrowings	**1,336,000**	**551,972**

The interest rate paid on the Equity Bridge Facility, Council Works Facility and Construction Facility was fixed in full through interest rate swaps.

The Equity Bridge Facility and the Council Works Facility were classified as current as at 30 June 2009. These facilities were repaid from the proceeds of the deferred equity contribution and the Brisbane City Council acquisition of the construction works in progress respectively during the period ended 30 June 2010.

At Tollroad Completion, the Construction Facility was fully drawn down to its $1,336,000,000 limit and then converted to the Term Facility Tranche A for $668,000,000 and Term Facility Tranche B for $668,000,000 (total Term Facility: $1,336,000,000).

Covenants

The Group's financing arrangements are set out in the relevant Project Documents. In particular, the "NSBT – A$ Loan Note Subscription Agreement" outlines various Events of Default. If an Event of Default were to occur, the total amount owing under the Term Facility may become payable on demand or immediately due for payment, at the Financiers' option.

The Group is unaware of any Events of Default that subsist at the date of this report.

20. Equity

Movements in total equity and ordinary stapled units issued during the year 1 July 2009 to 30 June 2010

Date	**Details**	**Number of Units**	**$'000**
1 July 2009	Opening balance	802,010,115	716,706
15 March 2010	Deferred Equity Contribution	155,000,000	-
30 June 2010	Loss for the year	-	(1,672,339)
30 June 2010	**Closing Balance**	957,010,115	(955,633)

Movements in total equity and ordinary stapled units issued during the year 1 July 2008 to 30 June 2009

Date	**Details**	**Number of Units**	**$'000**
1 July 2008	Opening balance	773,245,704	813,780
27 August 2008	Issue of units under DRP	28,764,411	-
30 June 2009	Loss for the year	-	(97,074)
30 June 2009	**Closing Balance**	802,010,115	716,706

20. Equity (continued)

Ordinary stapled units

The units of RCMHT and RCMIT are stapled and the number units issued by each entity is the same, however, their values differ. Currently their respective values are apportioned 99% (RCMHT) and 1% (RCMIT).

21. Earning per unit

Basic Earnings per unit

The calculation of earnings per unit at 30 June 2010 was based on a loss of $1,633,818,000 (2009: ($92,501,000) and a weighted average number of ordinary units outstanding of 847,448,471 (2009: 795,260,536). The 847,448,471 is calculated as 802,010,115 plus 45,438,356 (155,000,000 units issued, weighted for 15 March 2010 issue date). In 2009, the 795,260,536 was calculated as 773,245,704 plus 22,014,832 (28,764,411 units issued, weighted for 27 August 2008 issue date).

Diluted Earnings per unit

Diluted Earnings per unit is the same as basic earnings per unit for the years ended 30 June 2010 and 30 June 2009, as in both financial years the Group made a loss.

22. Distributions – consolidated Group

No distributions were declared or recognised during the year ended 30 June 2010 (30 June 2009: nil).

23. Financial instruments

The financial statements have been prepared on a liquidation (orderly wind down) basis as set out in Note 2(a).

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. This note presents information about the Group's exposure to each of the above risks, its 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.

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

The Audit, Risk and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced.

Risk management is carried out by management under policies approved by the Board of Directors.

23. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other parties.

At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the statement of financial position. Management does not expect any counterparty to fail to meet its obligations.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	30 June 2010 $'000	**30 June 2009 $'000**
Cash and cash equivalents	9,414	14,372
Other financial assets	169,982	64,079
Receivables	8,170	153,648
	187,566	**232,099**

None of the Group's financial assets were past due, with the exception of minor trade debtors.

Trade and other receivables

The Group has established appropriate customer credit policies including standard payment terms and conditions. Purchase limits have been established for each customer, representing the maximum open amount without requiring approval which will be reviewed quarterly. Customers that fail to meet the benchmark creditworthiness may transact only on a prepayment basis.

The Group monitors customer credit risk, with customer grouping according to their credit characteristics, including whether they are an individual or legal entity, industry, aging profile, maturity and existence of financial difficulties.

The Group has 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 is a specific loss component that relates to individually significant 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 has been determined based on historical data of payment statistics for similar financial assets in the industry.

Investments

The Group has all its cash and other financial assets with National Australia Bank and ANZ Bank. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Financial asset impairment losses

The Group has recognised a provision against doubtful debts of $104,000 in respect of trade debtors (2009: nil). No other impairment loss was recognised (2009: nil).

23. Financial instruments (continued)

Credit risk (continued)

Debt funding

The term of the Term Facility is locked in place until 4 August 2014 for 50% of the debt and 4 August 2016 for the remaining 50% of the debt. This funding is being provided by a syndicate of Australian and global banks.

As the Term Facility has been fully drawn down, there is no further debt funding currently available to the Group.

The Group's financing arrangements are set out in the relevant Project Documents. In particular, the "NSBT – A$ Loan Note Subscription Agreement" outlines various Events of Default. If an Event of Default were to occur, the total amount owing under the Term Facility may become payable on demand or immediately due for payment, at the Financiers' option.

The Group is unaware of any Events of Default that subsist at the date of this report.

As outlined in Note 2(a), the Group has commenced preliminary discussions with its financiers but given the uncertainty of the outcome, coupled with the uncertainty of achieving significant increases in operational cash flows, an orderly wind down of operations may be necessary sometime after September 2011.

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and term deposits and the ability to fund out of the money market positions as they become due.

As set out in Note 2(a), based on current forecasts and existing financing arrangements, if there is not a significant increase in traffic volumes in the next 12 months, there is significant uncertainty over the Group's ability to meet its ongoing operating and financing commitments beyond September 2011. The Directors are cognisant that a significant improvement in traffic volumes, revenue growth and management of expenditure will be necessary for the Group to stop drawing on cash reserves. At present the Directors and management continue to liaise closely with the Group's financiers and will actively explore options with them to sustain the Group in its current form until after Airport Link opens in mid-2012, which coincides with the first debt covenant test in June 2012.

The Directors also note that the RiverCity Motorway Group is in a net liability position at 30 June 2010. As at the report signing date the Directors are unaware of any event of default with its financing arrangements.

23. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated 30 June 2010	**Carrying Amount**	**Contract-ual Cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**	**Average effective interest rate**
In thousands of AUD								
Non-derivative financial liabilities								
Trade creditors and accruals	15,093	15,093	15,093	-	-	-	-	0.000%
Finance lease liabilities	24	25	5	4	16	-	-	4.278%
Secured bank loans	1,336,000	1,766,273	42,565	41,871	84,435	883,136	714,266	4.920%
Interest rate contracts used for hedging	60,665	90,842	8,819	7,249	14,617	43,974	16,183	-
	1,411,782	1,872,233	66,482	49,124	99,068	927,110	730,449	

Consolidated 30 June 2009	**Carrying Amount**	**Contract-ual Cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**	**Average effective interest rate**
In thousands of AUD								
Non-derivative financial liabilities								
Trade creditors and accruals	73,064	73,064	73,064	-	-	-	-	0.000%
Finance lease liabilities	32	36	5	31	-	-	-	4.278%
Secured bank loans	1,147,581	1,248,236	29,123	35,626	1,183,487	-	-	4.415%
Interest rate contracts used for hedging	64,178	64,178	21,533	38,318	2,163	2,164	-	-
	1,284,855	1,385,514	123,725	73,975	1,185,650	2,164	-	

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group'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.

Fair value interest-rate risk

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. The Group's interest-rate risk arises from long-term borrowings and cash and other financial assets. Borrowings, cash and other financial assets issued at variable rates expose the Group to cash flow interest-rate risk.

The Group's funding arrangements are in place until 4 August 2014 for Tranche A of the Term Facility and 4 August 2016 for Tranche B of the Term Facility. The interest rate exposure is hedged by the Construction Facility interest rate swaps to 4 October 2010 at a minimum of 70%, then 70% hedged to 2016.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Group has raised long-term borrowings at floating rates and swapped them into fixed rates. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals the difference between the fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

23. Financial instruments (continued)

Market risk (continued)

Capital management

The Directors have concluded that there is significant uncertainty about the Group's ability to continue as a going concern past September 2011 and as such have prepared the financial statements on a liquidation (orderly wind down) basis as set out in Note 2(a). The Directors' current objective in managing the Group's capital is to act in the best interest of stakeholders, which is to continue its operations whilst continuing discussions with financiers regarding restructuring its existing facilities.

At present the Directors and management continue to liaise closely with the Group's financiers and will actively explore options with them to sustain the Group in its current form until after Airport Link opens in mid-2012.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

	Consolidated Profit or loss	
In thousands of AUD	**100bp increase**	**100bp decrease**
30 June 2010		
Variable rate instruments	(13,360)	13,360
Interest rate swap	48,935	(48,935)
Cash flow hedge sensitivity (net)	35,575	(35,575)
30 June 2009		
Variable rate instruments	(10,611)	10,611
Interest rate swap	62,255	(62,255)
Cash flow hedge sensitivity (net)	51,644	(51,644)

Fair values

Fair value approximates the carrying amount of financial assets and liabilities for the consolidated entity as they are short-term in nature, or where long-term in nature, the rates received on assets or rates payable on liabilities are variable and reflect current market rates.

The fair value at 30 June 2010 of interest rate swaps which are the Group's only financial instruments carried at fair value was a liability of $60,665,000 measured using Level 2 valuation techniques as defined in the fair value hierarchy shown below. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

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

24. Non-current liabilities – borrowings

Financing arrangements

The borrowing entity under the financing facilities is RiverCity Motorway Finance Pty Limited (a controlled entity of the Group). RiverCity Motorway Finance Pty Limited has an onlending agreement with RiverCity Motorway Asset Trust, a controlled entity of the Group.

The debt financing for the NSBT is being provided through a syndicated senior bank debt facility.

Access was available at balance date to the following lines of credit:

	Consolidated	
	30 June 2010 $'000	**30 June 2009 $'000**
Financing Facilities		
Total facilities	1,336,000	1,993,826
Used at balance date (1)	1,336,000	1,164,180
Unused at balance date	-	829,646

(1) Used at balance date is actual drawdown and accrued interest.

The unused finance facilities comprise the following at balance date:

	Consolidated	
	30 June 2010 $'000	**30 June 2009 $'000**
Finance Facilities		
Equity Bridge Facility	-	9,881
Council Works Facility	-	49,537
Construction Facility/Term Facility	-	770,228
	-	829,646

Assets pledged as security

RiverCity Motorway Asset Nominee Pty Limited (as trustee of the RiverCity Motorway Asset Trust), RiverCity Motorway Pty Limited, RiverCity Motorway Finance Pty Limited, RiverCity Motorway Services Pty Limited, RiverCity Motorway Construction Pty Limited, RiverCity Motorway Asset Nominee 2 Pty Limited (as trustee of the Rivercity Motorway Asset Trust 2), Flow Tolling Pty Ltd and RiverCity Motorway Holdings Pty Limited have granted mortgages and charges over their assets and undertakings to secure the funding provided by the financiers and hedge providers.

The pledged assets relate to the entire assets held by the controlled entities of the RiverCity Motorway Holding Trust and RiverCity Motorway Investment Trust.

24. Non-current liabilities – borrowings (continued)

Financing arrangements (continued)

Equity Bridge Facility, Council Works Facility and Construction Facility

Funds drawn under the Equity Bridge Facility, Council Works Facility and the Construction Facility were applied towards meeting costs incurred by the Group, specifically:

- construction costs – certain amounts payable to the construction contractor under the design and construction contract;
- development costs – costs incurred at financial close and during the construction period;
- operating costs incurred prior to construction completion – costs payable to the operator, fees payable to the lenders' engineer or the security Trustee, operating expenses, amounts payable to comply with project documents, capital maintenance contributions and taxes (including GST);
- financing costs incurred prior to construction completion – funding interest (net of payments under the swap arrangements), fees and other expenses incurred during the construction period in relation to the debt and other fees due;
- reserve accounts – funding the required debt services reserve account, ramp up reserve account, equity contingency reserve account, DRP reserve; and
- other – meeting any other costs approved by the lenders.

The Equity Bridge Facility was repaid with the proceeds from the deferred equity tranche. The Council Works Facility was repaid by application of the Council Works Payment received from BCC for the capital works constructed on their behalf.

Term Facility

The Construction Facility converted into loans owing under the Term Facility at Tollroad Completion on 15 March 2010. The Term Facility comprises two medium-term, interest only tranches, repayable as follows:

- Tranche A: 50% of principal outstanding, repayable on 4 August 2014; and
- Tranche B: 50% of principal outstanding, repayable on 4 August 2016.

The Group's financing arrangements are set out in the relevant Project Documents. In particular, the "NSBT – A$ Loan Note Subscription Agreement" outlines various Events of Default. If an Event of Default were to occur, the total amount owing under the Term Facility may become payable on demand or immediately due for payment, at the Financiers' option.

The Group is unaware of any Events of Default that subsist at the date of this report.

Refer to Note 2(a) regarding the liquidation (orderly wind down) basis of preparation of this note and Note 2(b) as to the impact of this basis of preparation on the disclosure of the Term Facility.

25. Commitments

Commitments for the cost of various goods and services to be supplied but not recognised as liabilities:

Capital expenditure

RiverCity Motorway Group entered into a construction contract with Leighton Contractors Pty Limited, Baulderstone Hornibrook Pty Ltd, Bilfinger Berger Civil Pty Ltd and Baulderstone Hornibrook Queensland Pty Ltd (LBBJV) to complete the required construction activities. These activities were completed on 15 March 2010.

As construction is complete, no further contracted capital commitments are outstanding at 30 June 2010:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Within one year	-	431,829
One year or later and no later than five years	-	39,999
	-	471,828

Maintenance contract

RiverCity Motorway Group has entered into a maintenance agreement with Brisbane Motorway Services Pty Limited, with a term that ends on the expiration of the concession period unless earlier terminated or extended in accordance with the contract.

Construction period

As construction is complete, no further construction period maintenance payments are required:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Within one year	-	3,451
One year or later and no later than five years	-	48
	-	3,499

Operations

The maintenance fees are renegotiated each five years following commencement of operations on 15 March 2010. Amounts payable for the initial five year period (adjusted for CPI increases) are as follows:

	Consolidated	
	30 June 2010	30 June 2009
From construction completion:	$'000	$'000
Within one year	15,829	15,056
One year or later and no later than five years	59,690	57,973
Later than five years	-	-
	75,519	73,029

25. Commitments (continued)

Operating Leases

RiverCity Motorway has entered into a 10 year lease with Westpac Funds Management as trustee for the Cannon Hill Office Trust for the provision of premises for Flow Tolling Pty Ltd commencing 1 January 2009.

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Within one year	512	478
One year or later and no later than five years	2,122	2,060
Later than five years	2,072	2,626
	4,706	5,164

During the year ended 30 June 2010 $492,000 was recognised as an expense in the Statement of comprehensive income in respect of the operating leases (30 June 2009: $180,000).

26. Insurance

The Group has secured a 15% Claims Experience Discount (CED) amounting to $4,489,000 on the Construction Risk Contract Works insurance premium. In the event that the Group submits a claim under this class of insurance, then the CED will be repayable in full to the underwriters.

27. Employee benefits

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Current		
Liability for annual leave	185	100
Total employee benefits - current	**185**	**100**

28. Related party transactions

Aggregate amount of transactions with related parties incurred in relation to the RiverCity Motorway Group being awarded the concession to finance, design, build, maintain and operate the CLEM7.

	30 June 2010 $	30 June 2009 $
ABN AMRO Australia Pty Limited (RBS)		
Transfer fee for purchase of RiverCity Motorway Management Limited	-	500,000
RiverCity Motorway Management Limited as responsible entity		
Management fees (RCMML was part of the RiverCity Motorway Group in FY2010)	-	364,667
Hollingsworth Project Consultant (Peter Hollingsworth – Director)		
Consultant fees	12,000	10,000

There were no outstanding balances with above related parties at current or prior period end other than as disclosed below.

Leighton Contractors Pty Limited, Baulderstone Hornibrook Pty Ltd, Bilfinger Civil Pty Ltd and Baulderstone Hornibrook Queensland Pty Ltd (LBBJV) were engaged to complete the construction activities. The amount paid to LBBJV during the period was $526,427,000 (2009: $616,283,000). The amount outstanding at 30 June 2010 was $nil (2009: $63,711,000).

28. Related party transactions (continued)

The following were key management personnel of the Group at any time during the reporting period (appointment dates are listed):

Directors of RCMML (responsible entity)	Appointment date	Resignation date
Robert Morris	3/06/2006	
John Barry	28/04/2006	
Bernard Rowley	26/09/2008	
Ken MacDonald	26/09/2008	
Peter Hollingsworth	26/09/2008	
Peter Hicks	26/09/2008	
Thao Oakey	26/09/2008	
Charles Mott	17/06/2009	25/6/2010
Subsequent to 30 June 2010		
David Howell	21/7/2010	
Key management personnel		
Flan Cleary	23/10/2006	
Christine Hayward	9/10/2006	
Anthony Havers	15/01/2007	
Colin Richmond	26/02/2007	
Teisha Peterson	26/09/2008	15/06/2010

Principles of compensation

Remuneration is referred to as compensation.

The management of the Group is outsourced to the Manager who in turn employs the key management personnel (other than Directors of RCMML).

Key management personnel of the Manager, have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of RCMML and executives for the Manager including the five most highly remunerated executives (only five executives in the Group).

Compensation levels for key management personnel and secretaries of the Group and key management personnel of the Manager are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The Board of the Manager obtains independent advice on the appropriateness of compensation packages given trends in comparative companies and the objectives of the Group's compensation strategy.

Compensation packages may include a mix of fixed and variable compensation.

Executive remuneration policy

Executive remuneration arrangements are designed to reward employees competitively and appropriately for their individual performance, including their contribution to the business results delivered. Individual remuneration is aligned with contribution towards achievement of the Group objectives.

Service contracts for senior executives, including the CEO, are unlimited in term. Each contract can be terminated by the giving of a fixed period of notice. The Manager, RCMS, has the right to terminate the contract immediately, by making a payment in lieu of notice.

28. Related party transactions (continued)

Executive remuneration policy (continued)

Executive remuneration is made up of a fixed component and an at-risk component. The fixed component is structured as a total employment cost package, including cash, voluntary superannuation and benefits. Fringe benefits tax costs are taken into account in the total employment cost calculation. The fixed component is set by reference to the scope and nature of the executive's role, and the executive's performance and experience. It is reviewed annually by reference to market benchmarks, the executive's performance and any changes in the executive's role or responsibilities.

The at-risk component of executive remuneration is linked to the achievement of individual key performance indicators. The at-risk remuneration component is paid in cash.

Individual goals for each executive are tailored to the accountabilities of the executive's role and the capacity of the executive to affect RiverCity Motorway Group's performance. Individual goals focus on the achievement of the Group objectives and vision.

RiverCity Motorway Group does not currently provide any equity-based incentives, nor incentives related directly to total unitholder returns. The Board will review the appropriateness of introducing incentives of these kinds.

Performance of RiverCity Motorway Group

The Group's strategic goals for the year ended 30 June 2010 measured performance in risk management, supporting completion of the CLEM7 as a quality project, developing relationships with key stakeholders (including BCC, the community and investors) and commencing tollroad operations.

In reviewing performance against these strategic goals, the Board principally considered reports from management at each regular meeting of the Board. The Chairman and other Directors of RCMS attended meetings on key issues with senior personnel of the construction contractor, LBBJV. The Board also received reports and presentations from independent consultants, particularly with respect to the perceptions of key stakeholders. The Board is satisfied that these methods were adequate to enable it to assess performance against the goals. The Board determined that the goals set in each of these areas were substantially achieved during the reporting period.

The Board has approved goals for the year ending 30 June 2011 to measure performance in similar areas now that the Group is operating the toll road.

Key management personnel (other than Directors)

Two entities within the Group employ personnel, namely RCMS and Flow Tolling Pty Ltd. RCMS is an organisation employing thirteen people and Flow Tolling Pty Ltd employs between 50 and 100 people according to the needs of the call centre. The key management personnel are the five executives and RCMML, who collectively have the greatest authority for the strategic direction and management of RiverCity Motorway Group. This section contains information relating to the Group's key management personnel.

The Group (through RCMS) and each key management personnel have entered into a service contract that sets out the remuneration and other terms of employment of the key management personnel. Each services contract outlines the components of remuneration (including eligibility for incentives), but does not prescribe the level of remuneration from year-to-year.

Service contracts do not have a specified term.

28. Related party transactions (continued)

Key management personnel (other than Directors) (continued)

The service contracts for the key management personnel contain the following termination provisions. The Group may give a payment in lieu of notice equivalent to the remuneration for the notice period.

Name	Notice by Group	Notice by Employee	Termination Provisions
Flan Cleary Chief Executive Officer	18 months	6 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.
Christine Hayward Chief Financial Officer	18 months	3 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.
Anthony Havers Corporate Communications Manager	12 months	3 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.
Colin Richmond Engineering Manager	12 months	3 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.
Teisha Peterson Customer Operations Manager (resigned 15 June 2010)	3 months	3 months	Notice by Group is affected in instances where the Board imposes a material diminution in duties, responsibilities or status occurs, or in the event of a redundancy. The termination provision does not apply in the event of dismissal for dishonesty or poor performance.

At-risk remuneration

The table below summarises the at-risk component of the remuneration under the service contracts between the Group and the key management personnel who are in office as at the date of this report.

Name	Short Term Incentives (Annual)*
Flan Cleary	Discretionary
Christine Hayward	$20,000
Anthony Havers	$20,000
Colin Richmond	Discretionary

* Higher amounts may be paid at the Board's discretion.

28. Related party transactions (continued)

At-risk remuneration (continued)

	Milestone Retention Bonus	
Name	**Paid FY2010**	**Potential Future Payments**
Flan Cleary	65% of base salary at tolling system completion	Up to 35% of base salary at defects completion
Christine Hayward	65% of base salary at tolling system completion	Up to 35% of base salary at 12 months after tolling system completion
Anthony Havers	65% of base salary at tolling system completion	Up to 35% of base salary at defects completion
Colin Richmond	65% of base salary at tolling system completion	Up to 35% of base salary at defects completion
Teisha Peterson*	65% of base salary at tolling system completion	-

* Resigned 15 June 2010

Remuneration paid to key management personnel

Details of remuneration for key management personnel for the year ended 30 June 2010 are set out below. No long term incentive payments were made during the current or period.

			Primary			Post employment			
Name		Appointment date	Cash Salary and equivalent $	Short Term Incentive(4) $	Non-cash benefits(1) $	Super-annuation(2) $	Termination benefits $	% (3)	Total $
Flan Cleary	2010	23/10/2006	410,670	370,960	12,207	36,960	-	45	830,797
	2009		334,499	60,000	9,146	35,504	-	14	439,149
Christine Hayward	2010	9/10/2006	261,401	229,312	12,207	14,464	-	44	517,384
	2009		251,254	30,000	9,146	13,745	-	10	304,145
Anthony Havers	2010	15/01/2007	233,068	189,013	12,207	20,976	-	42	455,264
	2009		202,596	20,000	9,146	32,404	-	8	264,146
Colin Richmond	2010	26/02/2007	224,436	189,013	12,207	20,199	-	42	445,855
	2009		215,595	10,000	9,146	19,404	-	4	254,145
Teisha Peterson	2010	26/09/2008	166,645	115,326	12,207	13,621	39,037(5)	33	346,836
	2009		113,076	-	9,146	10,177	-	-	132,399

(1) Non-cash benefits related to payments for Directors and officers liability insurance which is paid by the Group.
(2) Includes statutory and voluntary contributions.
(3) Percentage of remuneration related to performance.
(4) Milestone retention bonus of 65% of salary paid in May 2010 due to Tollroad Completion and bonus from FY2009 paid in FY2010.
(5) Resigned 15 June 2010

The responsible entity, RCMML has received $216,667 in management fees during the year (2009: $364,667).

RiverCity Motorway Group has not provided any loans to executives or Directors.

Remuneration policy

The remuneration of Non-executive Directors is related to the extent of their involvement at Board and Committee level. The Board is conscious that the remuneration for Non-executive Directors should be set at a level that takes account of the time commitment levels and will attract the calibre of Director required to contribute to a high-performing Board.

Each Non-executive Director is paid a fixed annual fee. The fees paid to the Non-executive Directors are periodically reviewed by the Board having regard to the matters described above.

28. Related party transactions (continued)

Remuneration policy (continued)

During the period there was no remuneration paid to Thao Oakey as she was appointed as an alternate Director for Peter Hicks.

Other than for statutory superannuation, there is no provision for retirement allowances for Non-executive Directors, nor for payment of compensation on early termination of their appointment.

As outlined in the Group's Product Disclosure Statement of June 2006, the base remuneration paid to Non-executive Directors by the Manager for the year ended 30 June 2010 (and prior period), and payable for the year ended 30 June 2010 is as follows:

	30 June 2010	30 June 2009
Base fee – Chairman	$175,000	$175,000
Base fee – Non-executive Directors	$70,000	$70,000
Base fee – Sponsor appointed Directors	$70,000	$70,000
Base fee – Independent Non-executive Directors (including Audit, Risk and Compliance Committee Duties)	Between $30,000 and $32,500	Between $30,000 and $32,500

Remuneration of Non-executive Directors

The remuneration paid and payable to the Non-executive Directors during the year ended 30 June 2010 is shown in the table below.

During the prior year the Responsible Entity became part of the RiverCity Motorway Group and therefore the fees paid to the Directors by the Responsible Entity and the Manager have been included in the table below to allow comparability.

		Primary			Post employment	Equity	
Name		Cash Salary and fees $	Short Term Incentive $	Non-cash benefits $	Superannuation $	Units $	Total $
Robert Morris +	2010	205,000	-	-	-	-	205,000
	2009	205,000	-	-	-	-	205,000
John Barry	2010	64,220	-	-	5,780	-	70,000
	2009	48,165	-	-	4,335	-	52,500
Bernard Rowley	2010	94,220	-	-	5,780	-	100,000
	2009	92,500	-	-	-	-	92,500
Ken MacDonald +	2010	100,000	-	-	-	-	100,000
	2009	92,500	-	-	-	-	92,500
Peter Hollingsworth	2010	64,220	-	-	5,780	-	70,000
	2009	64,220	-	-	5,780	-	70,000
Peter Hicks +	2010	70,000	-	-	-	-	70,000
	2009	70,000	-	-	-	-	70,000
Fritz Syvertsen +	2010	-	-	-	-	-	-
	2009	52,500	-	-	-	-	52,500
Thao Oakey	2010	-	-	-	-	-	-
	2009	-	-	-	-	-	-
Charles Mott + *	2010	70,000	-	-	-	-	70,000
	2008	5,833	-	-	-	-	5,833
Paul Dortkamp +	2010	-	-	-	-	-	-
	2009	16,250	-	-	-	-	16,250
Peter Emery +	2010	-	-	-	-	-	-
	2009	15,000	-	-	-	-	15,000

\+ No statutory superannuation contributions are required.
* Resigned 25 June 2010

28. Related party transactions (continued)

Total remuneration of key management personnel, including non-executive directors

	2010 $	2009 $
Short term employee benefits	3,118,539	1,944,718
Post employment benefits	123,560	121,349
Termination payments	39,037	-
TOTAL	**3,281,136**	**2,066,067**

Stapled unit holdings

Name	Balance at the start of year 1 July 2009	Units acquired / (disposed) during the year	Balance at the end of the year 30 June 2010 (or date of resignation)
Directors of RiverCity Motorway Management Limited			
Robert Morris	255,993	-	255,993
John Barry	-	-	-
Bernard Rowley	25,600	-	25,600
Ken MacDonald	89,598	-	89,598
Peter Hollingsworth	12,800	-	12,800
Peter Hicks *	546,474	-	546,474
Thao Oakey	100,000	-	100,000
Charles Mott **	25,000	-	25,000

* Disposed 250,000 units with approval of Chairman and in accordance with the Group's trading policy subsequent to year end on 21 July 2010.
** Resigned 25 June 2010.

Name	Balance at the start of year 1 July 2008	Units acquired during the year	Balance at the end of the year 30 June 2009
Directors of RiverCity Motorway Management Limited			
Robert Morris	231,017	24,976	255,993
John Barry	-	-	-
Bernard Rowley	23,101	2,499	25,600
Ken MacDonald	80,856	8,742	89,598
Peter Hollingsworth	11,550	1,250	12,800
Peter Hicks	493,159	53,315	546,474
Fritz Syvertsen	-	-	-
Thao Oakey	100,000	-	100,000
Charles Mott	25,000	-	25,000
Paul Dortkamp	-	-	-
Peter Emery	-	-	-
Philip Howe	-	-	-

Name	Balance at the start of year 1 July 2009	Units acquired during the year	Balance at the end of the year 30 June 2010 (or date of resignation)
Key management personnel of the RiverCity Motorway Group (RiverCity Motorway Services Pty Limited)			
Flan Cleary	-	-	-
Christine Hayward	-	-	-
Anthony Havers	-	-	-
Colin Richmond	-	-	-
Teisha Peterson *	-	-	-

* resigned 15 June 2010

Nil movements in units in 2009 for key management personnel of RiverCity Motorway Group.

28. Related party transactions (continued)

Other related party disclosures

The Group has a related party relationship with each of the entities within the Group (see Note 29) and its key management personnel (see above).

Transactions between entities within the Group are loans and advances and reimbursement of operational costs. Intercompany loans are at call and are non interest bearing, all other transactions are conducted on a normal commercial basis.

Responsible Entity

The RiverCity Motorway Group is a stapled entity and comprises the aggregation of RCMHT and its wholly-owned controlled entities and RCMIT and its wholly-owned controlled entities. The responsible entity of RCMHT and RCMIT is RCMML.

29. Investments in controlled entities

The RiverCity Motorway Group comprises the aggregation of RCMHT and RCMIT.

Name of entity	Country of incorporation	Class of shares/units	Equity Holding 2010	Equity Holding 2009
The RiverCity Motorway Holding Trust Group comprises:				
RiverCity Motorway Holding Trust	Australia	Ordinary	100%	100%
RiverCity Motorway RE Holdings Pty Limited	Australia	Ordinary	100%	100%
RiverCity Motorway Management Limited	Australia	Ordinary	100%	100%
RiverCity Motorway Asset Nominee 2 Pty Limited	Australia	Ordinary	100%	100%
RiverCity Motorway Asset Nominee Pty Limited	Australia	Ordinary	100%	100%
RiverCity Motorway Finance Pty Limited	Australia	Ordinary	100%	100%
The RiverCity Motorway Investment Trust Group comprises:				
RiverCity Motorway Investment Trust	Australia	Ordinary	100%	100%
RiverCity Motorway Holdings Pty Limited	Australia	Ordinary	100%	100%
RiverCity Motorway Pty Limited	Australia	Ordinary	100%	100%
RiverCity Motorway Construction Pty Limited	Australia	Ordinary	100%	100%
RiverCity Motorway Services Pty Limited	Australia	Ordinary	100%	100%
Flow Tolling Pty Limited	Australia	Ordinary	100%	100%

30. Acquisition of Subsidiary

In the previous financial year, on 26 September 2008, the Group pursuant to an option agreement acquired all the shares in RiverCity Motorway Management Limited for $50,000 in cash. RiverCity Motorway Management Limited is the responsible entity of RiverCity Motorway Holding Trust and RiverCity Motorway Investment Trust. Rivercity Motorway Management Limited is a wholly owned subsidiary of RiverCity Motorway RE Holdings Pty Ltd. RiverCity Motorway RE Holdings Pty Ltd was established by the Group on 25 September 2008.

31. Events occurring after reporting date

Flow Tolling Pty Ltd, a wholly owned RiverCity Motorway group entity, commenced tolling of the Go Between Bridge (Hale Street Link) on 5 July 2010.

In the opinion of the Directors, other than identified in Note 2(a), no matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

32. Segment information

The consolidated entity operates as one segment being the CLEM7 tollroad, in Queensland.

33. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2010 the parent company of the Group was RiverCity Motorway Holding Trust.

	Company	
	2010 $'000	**2009 $'000**
Results of the parent entity		
Profit/(loss) for the period	(785,622)	8,150
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	**(785,622)**	**8,150**
Financial position of parent entity at year end		
Current assets	15,985	659,365
Total assets	15,985	801,593
Current liabilities	29,146	29,133
Total liabilities	29,146	29,133
Net assets/(liabilities)	**(13,161)**	**772,460**
Total equity of the parent entity comprising of:		
Issued capital / units	749,205	639,303
Deferred capital / unit contribution	-	109,902
Accumulated profits/(losses)	(762,366)	23,255
Total equity/(deficit)	**(13,161)**	**772,460**

Statement of the Directors of the Responsible Entity of the Trusts

In the opinion of the Directors of RiverCity Motorway Management Limited as the responsible entity for RiverCity Motorway Holding Trust and RiverCity Motorway Investment Trust.

(a) The consolidated financial statements and notes for the RiverCity Motorway Holding Trust Group as set out on pages 31 to 78 and are in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the Corporations Regulations 2001; and

(b) the Directors have been given the declarations required by Section 295(a) of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2010.

(c) For the next twelve months, there are reasonable grounds to believe that the Parent and the Group will be able to pay their debts as and when they become due and payable. Thereafter, the Directors are unable based on the information available at the present time and the significant uncertainty outlined in Note 2(a), to conclude whether the Group will be able to pay its debts as and when they become due and payable and therefore the Directors have prepared these financial statements on a liquidation (orderly wind down) basis.

(d) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Without qualifying the above statements, the Directors draw attention to Note 2 "Basis of Preparation" of the financial statements.

This statement is made in accordance with a resolution of the Directors of RiverCity Motorway Management Limited.

Robert Morris
Chairman

29 September 2010

Independent auditor's report to the unit holders of RiverCity Motorway Holding Trust and RiverCity Motorway Investment Trust

Report on the financial report

We have audited the accompanying financial report of the Group comprising RiverCity Motorway Holding Trust (the Parent), RiverCity Motorway Investment Trust and the entities they controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 33 and the directors' declaration.

Directors' responsibility for the financial report

The directors of RiverCity Motorway Management Company Limited (the responsible entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control 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. In Note 2 (c), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Basis for Qualified Auditor's Opinion

Valuation of intangible asset 'Future Tolling Rights'

We draw your attention to Note 17 of the financial report, where the Group has disclosed the written down value of its intangible asset Future Tolling Rights after recording an impairment loss for the year. This impairment loss was quantified using a 'discounted cash flow' methodology, as a basis for determining the asset's 'fair value less costs to sell', and resulted in the intangible asset being written down by $1,560 million to a recoverable amount of $258 million.

As stated in Note 17, a key input into determining the intangible asset's value is traffic forecasts. The Group engaged independent traffic consultants, Integrated Management Information Systems Pty Ltd (IMIS) to advise on future traffic forecasts for the CLEM 7. At the time of issuing the financial report IMIS had not finalised their full report and instead released preliminary traffic estimates for use by Directors in their impairment testing.

As stated in Note 17, these preliminary estimates contained a number of assumptions and exclusions that may impact future traffic volumes.

Given the assumptions, in particular the significance of the exclusions from the preliminary traffic estimates, the requirements of Australian Accounting Standards, specifically AASB 136 *Impairment of Assets* have not been met.

Had the requirements of AASB 136 been met, the financial report may disclose a different financial position and different results of operations of the Group. Adjustments may need to be made relating to the recoverable value of the Future Tolling Rights and the impairment of intangible assets. The Directors have not been able to perform this assessment due to the outstanding IMIS report. As a result, we were unable to satisfy ourselves as to the appropriateness of the written down value of Future Tolling Rights.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the appropriate value of 'Future Tolling Rights':

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its 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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(c).

Basis of preparation and significant uncertainty regarding valuation of assets and liabilities

Without further qualification to our opinion:

- We draw your attention to Notes 2 (a) and (b) of the financial report which sets out the basis on which they have been prepared. The Directors have concluded that the going concern basis of preparation is not appropriate and accordingly have prepared the financial report for the year ended 30 June 2010 on a liquidation basis based upon a possible scenario that an orderly wind down may occur some time after September 2011; and

- We also draw your attention to Note 2(g) of the financial report which sets out the critical accounting estimates and judgements, including the assumptions adopted with respect to the valuation of the Group's assets and liabilities on a liquidation basis. As set out in Note 2(g) the Directors believe that the estimates used in preparing the financial report are reasonable but recognise that there is a wide range of possible scenarios which could arise which may result in a materially different outcome in future periods. Given the uncertainties in valuing assets and liabilities on a liquidation basis, it is likely that the valuation of assets and liabilities included in the financial report may differ from actual results.

KPMG

KPMG

Scott Guse

Scott Guse
Partner

Brisbane

29 September 2010

UNITHOLDER INFORMATION

Stock exchange and unitholder information

The unitholder information set out below was applicable as at 31 August 2010.

A. Distribution of equity securities

	Holders
1 – 1,000	448
1,001 – 5,000	1,578
5,001 – 10,000	1,581
10,001 – 100,000	5,462
100,001 and over	1,092
	10,161161

There were 5,671 unitholders holding less than a marketable parcel of stapled units.

B. Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted stapled units are listed below:

Name	Number held	Percentage of stapled units
JF Infrastructure Pty Limited	101,603,948	10.62%
Leighton Infrastructure Investments Pty Limited	80,000,005	8.36%
RBC Dexia Investor Services Australia Nominees Pty Limited <BK Cust A/C>	79,811,844	8.34%
RBS Holdings II (Australia) Pty Limited	64,556,532	6.75%
BBPP (Aust) Ltd	33,555,487	3.51%
Custodial Services Limited <Beneficiaries Holding A/C>	8,229,130	0.86%
J P Morgan Nominees Australia Limited	7,587,629	0.79%
Firstrand (Ireland) PLC	5,710,000	0.60%
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI>	3,960,704	0.41%
Citicorp Nominees Pty Limited	3,901,536	0.41%
Neale Edwards Pty Ltd	3,370,910	0.35%
HHH Group Pty Ltd	3,093,709	0.32%
Nowcastle Pty Ltd	3,019,205	0.32%
Ankla Pty Ltd	2,973,730	0.31%
Mr Kerry Raymond Wark & Mrs Susanne Mary Wark <Wark Super Fund A/C>	2,950,000	0.31%
BBPP (Aust) Limited	2,935,314	0.31%
Mr Christopher Ian Wallin & Ms Fiona Kay Wallin <Chris Wallin Superfund A/C>	2,500,000	0.26%
Mr Alan Wong	2,400,000	0.25%
National Nominees Limited	2,308,125	0.24%
HSBC Custody Nominees (Australia) Limited	2,300,326	0.24%

UNITHOLDER INFORMATION (continued)

C. Substantial unitholders

Substantial holders in RiverCity Motorway Group are set out below:

Name	Number held	Percentage of stapled units
JF Infrastructure Pty Limited	101,603,948	10.62%
Leighton Infrastructure Investments Pty Limited	80,000,005	8.36%
RBC Dexia Investor Services Australia Nominees Pty Limited <BK Cust A/C>	79,811,844	8.34%
RBS Holdings II (Australia) Pty Limited	64,556,532	6.75%

D. Voting rights

The voting rights attaching to Rivercity Motorway Group stapled units are as follows:

- on a show of hands, each unitholder present in person and each other person present as a proxy, attorney or representative of a Unitholder has one vote; and
- on a poll, each person has one vote for each dollar of the value of the units held and each person present as proxy, attorney or representative of a unitholder has one vote for each dollar of value of the stapled units held.

E. Use of cash

Since 3 August 2006, when RiverCity Motorway Group was admitted to the official list of the ASX, RiverCity Motorway Group has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

CORPORATE DIRECTORY

Board of Directors RiverCity Motorway Management Limited (responsible entity)

Robert Morris - Chairman

Directors

John Barry
Bernard Rowley
Ken MacDonald
Peter Hollingsworth
Peter Hicks
Thao Oakey (alternate for Peter Hicks)
Charles Mott (resigned 25 June 2010)
David Howell (appointed 21 July 2010)

Company Secretary

Christine Hayward

Board of Directors RiverCity Motorway Services Pty Limited (Manager)

Robert Morris – Chairman

Directors

John Barry
Bernard Rowley
Ken MacDonald
Peter Hollingsworth
Peter Hicks
Thao Oakey (alternate for Peter Hicks)
Charles Mott (resigned 25 June 2010)
David Howell (appointed 21 July 2010)

Company Secretary

Christine Hayward

Executive Management

Flan Cleary - **Chief Executive Officer**
Christine Hayward - **Chief Financial Officer**
Anthony Havers – **Investor and Corporate Relations Manager**
Colin Richmond - **Engineering Manager**

www.rivercitymotorway.com.au

Stock exchange listing

RiverCity Motorway Holding Trust and RiverCity Motorway Investment Trust units are stapled and listed on ASX Limited (ASX) as RiverCity Motorway Group (ASX Code – RCY).

Responsible Entity

RiverCity Motorway Management Limited
82 Campbell Street, Bowen Hills QLD 4006
PO Box 51, Royal Brisbane Hospital QLD 4029
Phone 07 3046 4100

Manager

RiverCity Motorway Services Pty Limited
82 Campbell Street, Bowen Hills QLD 4006
PO Box 51, Royal Brisbane Hospital QLD 4029
Phone 07 3046 4100

Unitholder registrar

Link Market Services Limited
Locked Bag A14, Sydney South NSW 1235
www.linkmarketservices.com.au