



TRANSMAX PTY LTD

ACN 099 487 573

*GENERAL PURPOSE
FINANCIAL STATEMENTS
FOR YEAR ENDED
30 JUNE 2017*



Prepared by:

Transmax Pty Ltd
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AUSTRALIA

TABLE OF CONTENTS

DIRECTORS' REPORT	1
STATEMENT OF COMPREHENSIVE INCOME	9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF CHANGES IN EQUITY	11
STATEMENT OF CASH FLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	13
DIRECTORS' DECLARATION	28
INDEPENDENT AUDITOR'S REPORT	29

DIRECTORS' REPORT

The directors present their report together with the financial report of Transmax for the year ended 30 June 2017.

Directors

Catherine Ford (Chair – non-executive)

Catherine Ford was appointed as Chair of Transmax in September 2011. Ms. Ford is also Chief Digital Officer for eHealth Queensland, Queensland Health.

Cathy has a Graduate Diploma in Computing Science from Queensland University of Technology and was awarded a Bachelor of Science degree with first class honours from the University of Queensland. Her previous positions include Chief Operating Officer of McCormick Rankin Cagney (a specialist engineering firm) and Regional Director, Queensland for SMS Management & Technology. Cathy was previously a Director of Queensland Motorways, is past Chair of the Queensland Branch of the Australian Information Industry Association and is a member of the Australian Institute of Company Directors.

Mark Williamson (Managing director)

Mark Williamson was appointed as a non-executive Director to the Board of Transmax in September 2011. Mr Williamson is an experienced director having held a number of non-executive roles over the past 20 years. Mark is an experienced senior executive with over 25 years' experience in a range of senior leadership roles, primarily in the Information Technology and Communication industry.

Mark is a member of the Australian Institute of Company Directors (AICD) and is a graduate of INSEAD Management Development Program.

Mark was appointed to the role of Managing Director of Transmax on 1st July 2015.

Stephen Golding (Non-executive director)

Stephen Golding was appointed as a director of Transmax in September 2011. Mr. Golding had a long career with the Queensland Department of Main Roads. He joined as a scholarship holder in 1963 and retired in 2005 having been Director-General since 2000.

Stephen is active in four professional associations including an Honorary Fellow of the Institution of Engineers Australia. In addition to his role with Transmax, he is Director and Chair of Transport Certification Australia Ltd, Director of North Queensland Bulk Ports Corporation Ltd and board member of the Queensland Reconstruction Authority.

In a parallel career he enlisted as a private soldier in the Australian Army Reserve in 1963 and enjoyed continuous service until 1998 when he became inactive with the rank of major general, having been the senior Army Reserve Officer in the Australian Army. In 1998 he was appointed a Member of the Order of Australia.

Amelia Hodge (Non-executive director)

Amelia Hodge was appointed as a director of Transmax in September 2011. She currently serves on the boards of 139 Club, Obzervr and Law Advisor and sits as Deputy Chair of Artisan. Amelia is a former non-executive director of the Gladstone Area Water Board and a former member of the Great Artesian Basin Advisory Council on behalf of the Office for Women.

Amelia has extensive senior management experience acquired across a range of private, public and local government sector organisations and large scale infrastructure projects. Former executive career roles have included Chief Executive Officer of the Queensland Law Society and senior executive roles with Powerlink, Origin Energy and Coffey Commercial Advisory. Her experience leading and contributing to corporate business performance in management roles and as a non-executive director has seen her drive successful outcomes in managing organisational issues, risks and opportunities.

Amelia has completed the Harvard University Kennedy School of Government Infrastructure and the Market Economy Executive Program, the Melbourne Business School PPP programme and is a member of the Australian Institute of Company Directors, Women on Boards and the Brisbane Club. Her qualifications include a Bachelor of Laws and Graduate Certificate in Property Economics.

Allan Krosch (Non-executive director)

Allan Krosch was appointed as a director of Transmax in September 2011. Mr. Krosch worked for the Queensland Department of Transport and Main Roads for 42 years before leaving in July 2010 and has worked in the fields of construction, design, transport planning, traffic operations and management. Allan is currently the managing director of Allan Krosch Consulting Pty Ltd.

Allan has Masters Degrees in Civil Engineering and Business Administration, together with Bachelor degrees in Engineering and Economics. He is also a Fellow of Engineers Australia and a member of the Australian Institute of Company Directors.

Company Secretary

Peter Sedgley

Peter Sedgley has been Company Secretary since October 2010 and is Chief Financial Officer at Transmax. He holds a Bachelor of Science degree in Economics from the London School of Economics as well as a Masters of Business Administration. Peter is a member of the Institute of Chartered Accountants of England & Wales. Peter has more than 30 years' experience as a financial professional in information technology, the electricity industry, retail management and the accounting profession.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the company during the financial year are:

TABLE OF DIRECTORS' BOARD MEETINGS

Director	Board Meetings	
	A	B
C Ford (Chair)	8	11
S Golding	11	11
A Hodge	8	11
A Krosch	11	11
M Williamson	11	11

A – Number of meeting attended

B – Number of meetings held during the time the director held office during the year or was a member of a committee

TABLE OF DIRECTORS' SUB-COMMITTEE MEETINGS

Director	Risk and Audit Committee Meeting	
	A	B
A Hodge (Chair)	2	4
A Krosch	4	4
M Williamson	4	4

A – Number of meeting attended

B – Number of meetings held during the time the director held office during the year or was a member of a committee

Corporate Governance Statement

Transmax Pty Ltd (Transmax) was created because of the Queensland Government's recognition of the value created in its investment in the STREAMS Intelligent Transport System. In order for the value to be preserved and enhanced, it was necessary to develop a broader customer base. The government recognised that achieving long-run sustainability of the STREAMS system would ensure ongoing provision of skilled jobs.

This statement outlines the main corporate governance practices that were in place throughout the financial year.

Board of directors

The Board is responsible for the overall corporate governance of Transmax including determining its strategic direction, establishing goals for management and monitoring the achievement of these goals. Where possible the Board follows a Charter and a Corporate Governance Framework. This framework was previously developed based on the 10 Principles of the ASX Corporate Governance Council.

Composition of the board

The Chair and directors are appointed by the shareholder. The following persons held the Office of Director of the company during the financial year:

Catherine Ford (Chair)

Mark Williamson (Managing director)

Stephen Golding (Non-executive director)

Amelia Hodge (Non-executive director)

Allan Krosch (Non-executive director)

The directors provide a mix of strategic, financial, managerial and technical skills. The directors meet regularly throughout the year.

Details relating to all directors active during the financial year are set out in the Directors' Report.

Risk & audit committee

This committee was established in September 2013 as the operations, risk and audit committee, then replaced as the risk and audit committee in November 2015. The committee aims to provide guidance and oversight of:

- corporate governance,
- internal control structures,
- risk management; and
- internal and external audit functions.

Committee members include:

- Amelia Hodge (Chairperson) – independent non-executive
- Allan Krosch – independent non-executive
- Stephen Golding – independent non-executive (to November 2015)
- Managing Director
- Chief Financial Officer
- Group Manager Organisational Excellence, Strategy and Marketing

The Chair, external auditors and other company officers are invited to these meetings at the discretion of the committee. The committee meets quarterly unless otherwise required. The committee members' attendance record is disclosed in the Table of Directors' Sub-Committee Meetings on page 3.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

To assist in discharging this responsibility, the Board has instigated a business planning and budget development process, resulting in an annual budget which is reviewed and approved by the Directors. Monthly actual results are reported against budget and Transmax's overall performance is monitored by the Board. As stated previously, risk & audit committee was established to assist this process.

The role of the shareholder

The Board of Directors aims to ensure that the Shareholder of Transmax, the Director-General of the Queensland Department of Transport and Main Roads, who is shareholder on behalf of the state of Queensland, is informed of all major developments affecting Transmax's state of affairs.

Independent professional advice and access to company information

Each director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chair, may seek independent professional advice at Transmax's expense. A copy of advice received by the director should be made available to all other members of the Board.

Directors' interests and benefits

No Directors received or became entitled to receive any benefit as a result of a contract made by the company with a director or with a firm of which a Director is a member, or with an entity in which the director has a substantial financial interest.

All directors' payments are included within the key personnel note 22.

Indemnification and insurance of directors and officers

During the year Transmax Pty Ltd paid a premium of \$9,442 to insure the directors, secretary, and officers of the company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities from conduct involving a wilful breach of duty by the officers or the improper use of their position or of information to gain advantage for themselves, or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other possibilities.

Directors' special responsibilities

Directors undertake many special responsibilities with respect to the company other than the collective corporate responsibilities attributed to the Board of Directors as a whole, as outlined in Transmax's Corporate Governance Manual. These include the involvement of directors in the Risk & Audit Committee and the Business Development Committee.

Principal activities

The principal activities of Transmax are the development, support, and distribution of the "STREAMS" Intelligent Transport Systems and related services.

There have been no significant changes in the nature of those activities during the year.

Dividends

Dividends have not been declared or paid for the year ended 30 June 2017.

Significant changes to the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs that occurred during the financial year under review.

Corporate structure

Transmax Pty Ltd is a private company, limited by shares, incorporated, and operating in Queensland Australia. Transmax is 100% owned by Queensland Department of Transport and Main Roads (TMR). The Director-General, TMR is the sole shareholder.

Review of operations

The profit before income tax for the financial year was \$1,439,157 (2015-16 loss was \$2,452,979).

Annual revenue of \$18.8m increased by approximately 66.9% due to an increase in engineering and software services and equipment revenue.

General

Staff and contractor numbers have increased over the period, with a total full-time-equivalent of 118 at 30 June 2017.

Taxation

Transmax is subject to the National Taxation Equivalents Regime (NTER).

Events subsequent to financial position date

There have been no events subsequent to the financial position date.

Likely developments

Transmax will increase its focus on establishing an increased STREAMS presence in domestic markets. This will be crucial to achieving the growth required to underpin further development of the STREAMS product.

Environmental regulation

The company is not subject to any significant environmental regulation in respect to its principal activities.

Going concern basis

This report is made in accordance with a resolution of the directors. In forming the opinion that there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due, the Directors have reviewed the statement of comprehensive income, statement of financial position, and statement of cash flows presented in this document. These have been prepared on the basis that Transmax is a going concern.

Auditor

The Auditor-General continues to provide audit services in accordance with section 325 of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.


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Catherine Ford
Chair


.....

Date


.....

Mark Williamson
Managing Director


.....

Date

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Transmax Pty Ltd

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

Independence Declaration

As lead auditor for the audit of Transmax Pty Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been -

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



D Adams

As Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2017

	Notes	2017	2016
		\$	\$
Continuing Operations			
Revenue	2	18,753,196	11,232,343
Cost of sales	3	(7,718,149)	(5,376,922)
Gross profit		11,035,047	5,855,421
Other income	4	134,993	181,577
Depreciation	13	(358,000)	(354,404)
Amortisation	14	(510,431)	(451,644)
Intangible Assets Write Off	14	(531,465)	-
Research expenses	5	(246,430)	(143,797)
Sales and marketing expenses	6	(1,971,634)	(2,394,508)
Administration expenses	7	(6,067,954)	(5,047,996)
Other expenses	9	(40,229)	(92,880)
Finance costs		(4,740)	(4,748)
Profit (loss) before income tax		1,439,157	(2,452,979)
Income tax (expense)/benefit	10	(403,321)	774,499
Total profit/(loss) for the year		1,035,837	(1,678,480)
Profits attributable to owners of the company		1,035,837	(1,678,480)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	2017	2016
		\$	\$
Assets			
Cash and cash equivalents		2,793,582	2,481,298
Trade and other receivables	11	1,362,470	1,220,849
Work in progress	12	4,242,810	1,440,973
Prepayments		232,798	277,876
Inventories		242,178	215,330
Total current assets		8,873,837	5,636,326
Deferred tax assets	10	598,645	905,690
Plant and equipment	13	813,530	858,845
Intangible assets	14	3,973,541	3,671,127
Total non-current assets		5,385,716	5,435,662
Total assets		14,259,553	11,071,988
Liabilities			
Trade and other payables	15	780,946	544,078
Accrued employee benefits	16	1,885,871	943,754
Current tax liabilities	10(e)	825,993	-
Unearned revenue	1(c)	346,665	33,347
Lease incentive liability		55,477	53,679
Total current liabilities		3,894,952	1,574,858
Accrued employee benefits	16	173,070	135,545
Unearned revenue	1(c)	209,604	122,259
Lease incentive liability		436,409	422,412
Deferred tax liability	10(c)	392,480	699,714
Total non-current liabilities		1,211,563	1,379,930
Total liabilities		5,106,516	2,954,788
Net assets		9,153,037	8,117,200
Equity			
Contributed equity	17	601,062	601,062
Retained profits	18	8,551,975	7,516,138
Total equity		9,153,037	8,117,200

The statement of financial position is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2017

Notes	Retained Profits		Contributed Equity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Balance at 1 July	7,516,138	9,194,618	601,062	601,062
Total comprehensive income				
Profit/(loss) for the year	1,035,837	(1,678,480)	-	-
Balance at 30 June	8,551,975	7,516,138	601,062	601,062

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		14,897,151	11,475,560
Payments to suppliers and employees (inclusive of GST)		(13,062,865)	(11,012,778)
Interest received		33,457	49,226
Grant received		101,536	132,351
Income tax paid		-	-
Net cash flow used in operating activities	26	1,969,279	644,359
Cash flows from investing activities			
Payments for plant and equipment		(371,984)	(785,600)
Proceeds from sale of plant and equipment		-	-
Payments for trademarks		(228)	(22,680)
Payments for Intangibles		(1,284,782)	(1,153,047)
Net cash used in investing activities		(1,656,994)	(1,961,327)
Cash flows from financing activities			
		-	-
Net increase (decrease) in cash and cash equivalents		312,285	(1,316,968)
Cash and cash equivalents at 1 July		2,481,298	3,798,266
Cash and cash equivalents at 30 June		2,793,583	2,481,298

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. Statement of significant accounting policies

The financial report covers Transmax Pty Ltd as an individual entity. Transmax Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of this report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The financial statements have been prepared on a going concern basis, which assumes Transmax will be able to pay its debts as and when they fall due. Transmax has recognised a net profit after tax of \$1,035,837 for the year ended 30 June 2017. As at this date, current assets exceeded current liabilities by \$4,978,885. In addition, Transmax have a budgeted profit and positive cash flow forecast for the 2017-18 year.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied as necessary.

(b) Income tax

Under the financial position approach, income tax on the statement of comprehensive income for the year comprises current and deferred taxes. Income tax will be recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in the statement of changes in equity.

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

Deferred tax liability is provided in full using the financial position liability method, on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Current and deferred tax balances attributable to amounts recognised directly in equity are recognised directly in equity. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

The company is beneficially owned by the State of Queensland and has been subject to the National Taxation Equivalents Regime (NTER) from 1 July 2003. The liability to taxation under the NTER is calculated substantially on the basis of the *Income Tax Assessment Act 1936* (as amended) and the *Income Tax Assessment Act 1997* (ITAA). Accordingly, the company is exempt from Federal taxation pursuant to Section 24AM of the ITAA.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net returns, trade allowances, rebates, and amounts collected on behalf of third parties.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue for the major business activities as follows:

- Engineering and software services revenue is recognised in proportion to the stage of completion, or with the achievement of contract milestones. The stage of completion is determined by the percentage of completion method on each of the contracted stages. Transmax software assurance revenue is spread over the period of the assurance.
- Equipment revenue is recognised at the point of supply or at the completion of commissioning.
- Third party licence revenue is recognised at the point of supply of the licence. Software assurance revenue and costs on third party licence sales is deferred over the period of the assurance.
- Infrastructure Services are the amounts billed for the supply of network management and ongoing communications services. Revenue is recognised on per-month-used basis or per the individual agreement/contract conditions.
- Interest income is recognised on a time proportion basis using the effective interest method.

Unearned Revenue is made up of the following three components:

- Time and Material Projects: When amounts billed to a customer are more than the retail hours worked it is included in unearned revenue.
- Fixed Price Projects: When the amounts billed to a customer is more than the earned value to date, the difference is taken to unearned revenue.
- Unearned Grant Income: The value of grant income related to research and development expenses capitalised.

(d) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash includes cash on hand and cash at bank and short-term deposits at call, net of outstanding bank overdrafts.

(e) Plant and equipment

Acquisition of assets

Items of plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Items of recognition

Plant and equipment are stated at cost less accumulated depreciation and impairments.

Depreciation

All assets have limited useful lives and are depreciated using the straight line method over their estimated useful lives.

Depreciation rate methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciable amount of improvements to the leasehold building is allocated over the estimated useful life of the improvements or the unexpired period of the lease, whichever is shorter. The unexpired period of the lease includes any option period where the exercise of the option is probable.

For each class of depreciable plant and equipment the following periods are used as the estimated useful life:

<i>Class</i>	<i>Useful life</i>
Plant and equipment	2 - 10 years
Leasehold improvements	7 years

(f) Impairment of assets

Intangible assets and plant and equipment are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Work in Progress (WIP) for fixed price projects is calculated as revenue taken less billed to date. Revenue taken is calculated based on percentage of completion of the contract value. Cost to completion is reforecast monthly. Fixed price and time and material WIP is reviewed monthly for impairment. WIP includes a provision for potential under recovery.

(g) Intangible assets

Trademarks

Transmax has Trademarks both Australia-wide and internationally. There are still some Trademarks awaiting approval. The fees for these have been capitalised as management believe there is probable future economic benefit attributable to trademarks. The approved Trademarks have been amortised throughout the year.

Internally-developed software

Expenditure on research phase of projects to develop new customised software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the recognition requirements as per AASB 138 Intangible Assets.

The cost of an internally-generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

In accordance with AASB 138 Intangible Assets, and due to the lack of an active market, the ITS Platform STREAMS and ITS solutions cannot be measured at fair value and are instead measured at cost. Accordingly, Transmax does not qualify to adopt the revaluation model for the subsequent measurement of the ITS Platform STREAMS.

Amortisation

All intangible assets have limited useful lives and are amortised using the straight line method over their estimated useful lives. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The residual value of all intangible assets is zero.

For each class of intangible assets the following periods are used as the estimated useful life:

<i>Intangible asset</i>	<i>Useful life</i>
Trademarks	10 years
Internally-developed software	7 years

Intangible assets are assessed on a regular basis and written off if they no longer satisfy the definition of an intangible asset as per AASB 138.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at cost less provision for doubtful debts. Trade receivables (normally settled within 60 days) are carried at amounts due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Any impairment loss is recognised in the statement of comprehensive income in other expenses.

(i) Inventories

Raw materials and stores, work in progress and finished goods are valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the weighted average cost formula and include expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company. Trade creditors are normally settled within 30 days.

(k) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Incentives received on entering into operating leases are recognised as liabilities. Amortisation of lease liabilities are allocated between rental expense and reduction of the liability.

The lease incentive has been recognised in the financial statements as a liability consistent with the treatment mandated by AASB Interpretation 115 *Operating Leases* and AASB 117 *Leases*. The lease incentive liability is amortised on a straight line basis over the lease term inclusive of options to extend the lease term and reduce the rent expense by the corresponding amount.

(l) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO, is included as a current asset or current 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.

(m) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(n) Employee benefits

Provision is made for the Transmax liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. These cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(o) Wages and contractors' expenses

The total cost of wages and contractors' expenses are allocated to their specific cost categories based upon the type of projects being undertaken. As such, it is possible to allocate the cost of time for all employees to specific projects. These costs are included in the financial reports under the headings of 'Cost of sales', 'Research expenses', 'Sales and marketing expenses' and 'Administration expenses' in the Statement of Comprehensive Income. The retail value of the hours worked but not billed are included in "Work in progress".

(p) Work in progress

Work in progress is made up of the following two components:

- *Time and Material projects*: The retail value of the hours worked but not billed is included in work in progress.
- *Fixed price projects*: When the amount billed to a customer is less than the earned value to date, the difference is taken to work in progress.

(q) Rounding of amounts

The company is of the kind referred to in the Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the accounts have been rounded off in accordance with that class order to the nearest dollar.

(r) New accounting standards and interpretations

A number of new accounting standards, amendments and interpretations have been published that are both mandatory and not mandatory for 30 June 2017 reporting period. The Company has not early applied the following amended standard in preparing these financial statements:

- AASB 15 *Revenue from Contracts with Customers* is effective from 1 January 2018. The standard establishes a framework for determining whether, how much, and when revenue is recognised. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.
- AASB 16 *Leases* is effective from 1 January 2019. The standard changes the way Lessees account for leases. It requires the Lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company is assessing the potential impact on its financial statements resulting from the application of AASB16.

(s) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity.

- The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

- Estimates and assumption with the most significant effect on the financial statements are outlined in the following notes:
 - Plant and equipment – Note 1(e);
 - Intangible assets – Note 1(g);
 - Contingent liabilities – Note 20; and
 - Depreciation and amortisation – Note 1(e), Note 1(g), Note 13 and Note 14.

	2017	2016
	\$	\$
2. Revenue		
<i>Operating activities:</i>		
Engineering and software services	16,080,371	9,140,523
Equipment and license revenue	2,425,228	1,900,640
Infrastructure services	247,205	194,134
	<u>18,752,804</u>	<u>11,235,297</u>
<i>Other revenues:</i>		
Foreign currency gain (loss)	392	(2,954)
Total	<u>18,753,196</u>	<u>11,232,343</u>
3. Cost of sales		
Engineering and software services	6,103,419	4,294,361
Equipment and licence costs	1,507,991	939,109
Infrastructure services	106,740	143,452
Total	<u>7,718,149</u>	<u>5,376,922</u>
4. Other income		
Interest income	33,457	49,226
Grant income	101,536	132,351
Other income	-	-
Total	<u>134,993</u>	<u>181,577</u>
5. Research expenses		
Research labour	246,287	142,026
Research software	144	1,772
Total	<u>246,430</u>	<u>143,797</u>
6. Sales and marketing expenses		
Staff Costs	1,673,884	2,015,195
Conference and trade shows	189,461	116,317
Marketing and advertising	102,297	157,423
Travel	2,857	41,498
Consultants	3,135	64,074
Total	<u>1,971,634</u>	<u>2,394,508</u>
7. Administration expenses		
Property and tenancy expenses	1,004,310	955,119
HR labour and expenses	1,460,583	1,236,087
IT labour and expenses	838,986	690,025
Administration labour and expenses	2,764,076	2,166,766
Total	<u>6,067,954</u>	<u>5,047,997</u>

	2017	2016
	\$	\$
8. Labour Expenses		
<i>The following labour costs have been absorbed in cost of sales, research and development, sale and marketing and administration expenses.</i>		
Wages and salaries	10,979,904	8,023,426
Superannuation	1,245,152	948,042
Payroll Tax	542,260	477,700
Workers compensation	24,677	22,962
Fringe benefit tax	17,763	11,244
Contractor Labour	140,464	6,913
Redundancy expenses	-	125,423
Total	<u>12,950,220</u>	<u>9,615,709</u>
Employees (full-time equivalents)	118	97

9. Other Expenses

Bad debts expense	-	17,306
Audit Fees ¹	29,500	29,500
Accounting and Tax fees	10,503	10,500
Sundry Expenses	226	246
Loss on disposal of assets	-	35,328
Total	<u>40,229</u>	<u>92,880</u>

¹ External audit fees to Queensland Audit Office

10. Income tax expense/(benefit)

(a) Income tax expense/(benefit)

Current tax expense	403,511	(376,915)
Deferred tax expense/(benefit) relating to origination and reversal of temporary differences	(190)	(397,584)
Total income tax expense/(benefit) attributable to profit	<u>403,321</u>	<u>(774,499)</u>

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

Profit/(Loss) from continuing operations before income tax expense	1,439,157	(2,452,979)
Tax at the rate of 30%	431,747	(735,894)
Tax effect amounts which are not deductible (taxable) in calculating taxable income		-
Research & development	(30,461)	(39,705)
Non-deductible expenses	2,035	1,100
Tax adjustments for prior periods	-	-
Income tax expense/(benefit)	<u>(403,321)</u>	<u>(774,499)</u>

	2017	2016
	\$	\$
(c) Deferred tax equivalent expense/(benefit) included in income tax equivalent expense comprises:		
Deferred tax assets opening balance	905,690	389,907
Increase/(decrease) in deferred tax assets	115,438	641,831
Adjustment relating to prior year	(422,483)	(126,048)
Deferred tax assets at 30 June	<u>598,645</u>	<u>905,690</u>
Deferred tax liability opening balance	699,714	581,518
(Increase)/decrease in deferred tax liability – Intellectual Property	(307,234)	(132,669)
Adjustment relating to prior year – Intellectual Property	-	250,865
Deferred tax liability at 30 June – Intellectual Property	<u>392,480</u>	<u>699,714</u>
(d) Proof of deferred tax assets		
Property, plant and equipment	(81,750)	(97,788)
Trademarks	6,586	2,825
Employee benefits	335,157	245,580
Accrued expenses & provisions	338,652	226,695
Tax value of loss carry-forwards recognised	-	528,378
Net deferred tax assets at 30 June	<u>598,645</u>	<u>905,690</u>
(e) Reconciliation of current tax (liability)/asset		
Opening balance	-	-
Payments in current year relating to prior year	-	-
Refunds in the current year relating to the prior year	(633,723)	(655,976)
Current year instalments	-	-
Over provision	633,723	655,976
Provision for tax	(825,993)	-
Closing balance	<u>(825,993)</u>	<u>-</u>

11. Trade and other receivables

Trade receivables	1,379,776	1,215,882
Less: Allowance for impairment loss	(17,306)	(17,306)
Net trade receivable	<u>1,362,470</u>	<u>1,198,576</u>
Accrued revenue	-	22,273
Total	<u>1,362,470</u>	<u>1,220,849</u>

	2017	2016
	\$	\$
12. Work in Progress Analysis		
Time and Material Projects	137,662	82,344
Fixed Price Projects	4,105,148	1,358,629
Total WIP	<u>4,242,810</u>	<u>1,440,973</u>

13. Plant and equipment

Plant and equipment at cost	2,725,900	2,413,215
Less: Accumulated depreciation	(1,912,370)	(1,554,370)
Net book amount	<u>813,530</u>	<u>858,845</u>

Reconciliation

The reconciliation of the carrying amount for plant and equipment is set out below:

Opening net book amount	858,845	462,976
Additions	312,684	785,600
Disposals	-	(35,327)
Depreciation charge	(358,000)	(354,404)
Closing net book amount	<u>813,530</u>	<u>858,845</u>

14. Intangible assets

	Trademarks	Internally developed software	Other	Total
Gross carrying amount				
Balance at 1 July 2016	71,214	4,509,168	-	4,580,382
Addition, internally developed		1,284,782		1,284,782
Addition, separately acquired	228	-	59,300	59,528
Write Off	-	(531,465)		(531,465)
Balance at 30 June 2017	<u>71,442</u>	<u>5,262,485</u>	<u>59,300</u>	<u>5,393,227</u>
Amortisation				
Balance at 1 July 2016	(9,415)	(899,840)	-	(909,255)
Amortisation	(5,429)	(492,648)	(12,354)	(510,431)
Balance at 30 June 2017	<u>(14,844)</u>	<u>(1,392,488)</u>	<u>(12,354)</u>	<u>(1,419,686)</u>
Carrying amount 30 June 2017	<u>56,598</u>	<u>3,869,996</u>	<u>46,946</u>	<u>3,973,541</u>

	Trademarks	Internally developed software	Other	Total
Gross carrying amount				
Balance at 1 July 2015	48,534	3,356,121	-	3,404,655
Addition, internally developed	-	1,153,047	-	1,153,047
Addition, separately acquired	22,680	-	-	22,680
Balance at 30 June 2016	71,214	4,509,168	-	4,580,382
Amortisation				
Balance at 1 July 2015	-	(457,611)	-	(457,611)
Amortisation	(9,415)	(442,229)	-	(451,644)
Balance at 30 June 2016	(9,415)	(899,840)	-	(909,255)
Carrying amount 30 June 2016	61,799	3,609,328	-	3,671,127

	2017	2016
	\$	\$

15. Trade and other payables

Trade payables	557,489	101,980
Accrued expenses	13,600	268,744
GST payable	155,970	139,655
Payroll tax payable	155	-
Other payables	53,732	33,699
Total	780,946	544,078

16. Accrued employee benefits

Current

Accrued employee benefits	1,636,056	683,054
Wages and salaries	249,816	260,700
Total	1,885,871	943,754

Non-current

Accrued employee benefits	173,070	135,545
Total	173,070	135,545

There has been a significant jump in the accrual this financial year due to an increase in staff numbers and an increase in the bonus provision due to the company going from a loss position to a profit position.

17. Contributed equity

Ordinary shares - issued and fully paid	601,061	601,061
Special (control) shares - issued fully paid	1	1
Total contributed equity	601,062	601,062

There were no shares issued in the 2016 and 2017 financial years

Retained profits at beginning of year	7,516,138	9,194,618
Net profit	1,035,837	(1,678,480)
Retain profits at end of year	8,551,975	7,516,138

19. Financial risk management

(a) Risk management of objectives and policies

The company is exposed to various risks in relation to financial instruments. The main types of risks are credit risk and interest rate risk. The company's management, in close cooperation with the Board of Directors, focuses to ensure the short to medium-term cash flows are secured by minimising the exposure to financially risky activities. The most significant financial risks applicable to the Company are described below.

(b) Credit risk exposure

Credit risk exposure represents the extent of credit related losses that the entity may be subject to on amounts to be exchanged under trade debtors and loans and advances from financial assets.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any allowance for impairments as indicated in the statement of financial position.

(c) Interest Rate Risk

	2017 \$	2016 \$
Financial Assets		
Cash at bank	2,793,582	2,481,298
Interest rate	0.5%- 2.5%	0.5%- 2.5%

(d) Fair value measurements

Financial assets and liabilities are as follows:

- trade and other receivables
- cash and cash equivalents
- trade and other payables

The carrying amount of these financials assets and liabilities is considered to be a reasonable approximation of fair value.

20. Contingent liabilities

There are no contingent liabilities.

21. Commitments

In August 2015, Transmax moved offices to 143 Coronation Drive, Milton, QLD, 4064. It is a seven year lease. The future minimum lease payments at the end of each reporting period under review were as follows:

	2017 \$	2016 \$
Office building lease		
Within one year	781,639	654,625
Later than 1 year but not greater than 5 years	3,144,907	2,988,886
Later than 5 years	70,820	917,232
	3,997,366	4,560,743

22. Economic dependency

The company is dependent on Queensland Department of Transport and Main Roads for the majority of its revenue used to operate its activity. At the date of this report, the company has no reason to believe the dependence is at risk or likely to change significantly.

23. Key management personnel disclosures

Stephen Golding, Amelia Hodge and Allan Krosch were paid as directors of Transmax. Mark Williamson was paid as Managing Director of Transmax.

	2017 \$	2016 \$
Key management personnel compensation		
Short-term employee benefits	405,259	411,666
Post-employment benefits	-	36,684
Termination benefits	-	98,500

24. Subsequent events

There have been no events subsequent to the financial position date.

25. Related party transactions

As at 30 June 2017, financial statement items included the following amounts in relation to Queensland Department of Transport and Main Roads:

	2017 \$	2016 \$
Sale and purchase transactions		
Sale of goods and services (exclusive of GST)	8,201,427	6,278,082
Outstanding balances arising from sales/purchases of goods and services		
Amounts receivable from related parties	510,519	718,234
Equity		
Contributed equity	601,062	601,062

26. Reconciliation of profit after income tax to net cash used in operating activities

Profit/(loss) after income tax	1,035,837	(1,678,480)
Adjustments for:		
Depreciation and amortisation	868,431	806,048
Loss on disposal of assets	-	35,328
Write Off Intangible Assets	531,465	-
	<u>2,435,732</u>	<u>(837,104)</u>
Decrease / (Increase) in work-in-progress	(2,801,837)	1,128,444
Decrease / (Increase) in prepayments	45,079	78,161
Decrease / (Increase) in trade and other receivables	(141,619)	229,694
Decrease / (Increase) in inventories	(26,848)	3,017
Decrease / (Increase) in deferred tax assets	307,044	(515,782)
(Decrease) / Increase in trade and other payables	236,868	(152,639)
(Decrease) / Increase in accrued employee benefits	979,642	62,494
(Decrease) / Increase in deferred tax liabilities	(307,234)	118,197
(Decrease) / Increase in unearned revenue	400,664	53,785
(Decrease) / Increase in lease incentive liability	15,795	476,092
(Decrease) / Increase in current tax	825,993	-
Net cash used in operating activities	<u>1,969,279</u>	<u>644,359</u>

27. Company details

The business address and registered office of Transmax Pty Ltd is:
 143 Coronation Drive, Milton, QLD 4064

DIRECTORS' DECLARATION

In the opinion of the directors of Transmax Pty Ltd:

(a) The financial statements and notes set out on pages 9 to 27 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the company as at 30 June 2017 and of its performance, as represented by the results of the operations and the cash flows, for the year ended on that date

(ii) complying with Accounting Standards in Australia, the *Corporations Regulations 2001*, other mandatory professional reporting requirements

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Catherine Ford
Chair



Date



Mark Williamson
Managing Director



Date

INDEPENDENT AUDITOR'S REPORT

To the Members of Transmax Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Transmax Pty Ltd

In my opinion, the financial report:

- a) gives a true and fair view of the company's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- Conclude on the appropriateness of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



D R Adams FCPA
as delegate of the Auditor-General



Queensland Audit Office
Brisbane