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**ANNUAL UNITHOLDER MEETING**  
22 NOVEMBER 2010

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CHAIRMAN | ROBERT MORRIS

# CHAIRMAN'S ADDRESS

## UNITHOLDER QUESTIONS

- What is the current RiverCity business position?
- What action is the Board taking?
- Is there a future for my equity?
- Why are traffic volumes so far short of original traffic forecast?
- Is the business being well run?

# AGENDA

- Robert Morris – Chairman
  - Current business position
  - Standstill Arrangement with Bank Syndicate
  - Traffic update
- Flan Cleary – Chief Executive Officer
  - Report on operations
  - Business priorities
- Christine Hayward – Chief Financial Officer
  - Financial results
- Robert Morris - Chairman
  - Summary and questions

## CURRENT BUSINESS POSITION

- RiverCity traffic performance has been dismal
  - Average daily trips in October 2010 just under 28,000 (30% of forecast)
  - Revenue to end October 2010 approximately 17% of forecast
- Reserves being used at \$8 - \$10m per month
- Revenue expected to cover operating costs (excluding interest payments) on 6 month rolling basis from May 2011
- Group does not anticipate meeting interest payments (now being met from reserves) beyond September 2011
- The capital position is unsustainable

# SOLVENCY ISSUES

- Regulatory requirements - Directors cannot allow trading while insolvent
- For 30 June 2010 accounts, Directors assessed funds were sufficient to meet all financial obligations for 12 months
- Accounts issued on liquidation basis recognising an arrangement with banks necessary beyond that horizon
- Group has requested Bank Syndicate to implement Standstill Arrangement
- Standstill Arrangement changes interest obligation to “Pay if You Can” basis
- Bank Syndicate appointed adviser - 333 Advisory
- Without Standstill Arrangement:
  - Directors may be unable to sign-off 31 December 2010 accounts
  - Administrator and Receiver appointed
  - Unlikely to be any equity value

# THE CASE FOR A STANDSTILL ARRANGEMENT

- Maximum value for the CLEM7 to occur when:
  - Tunnel more established part of road network
  - Traffic ramp-up complete
  - Airport Link tunnel opened
  - Maximum allowable toll applied
- Proposed Standstill Arrangement to 31 December 2012
- Airport Link tunnel planned opening in June 2012
- Board and management apply expertise and maintain close liaison with banks and their adviser
- Business Plan to focus on increased revenue and cost savings






# STANDSTILL ARRANGEMENT TIMETABLE

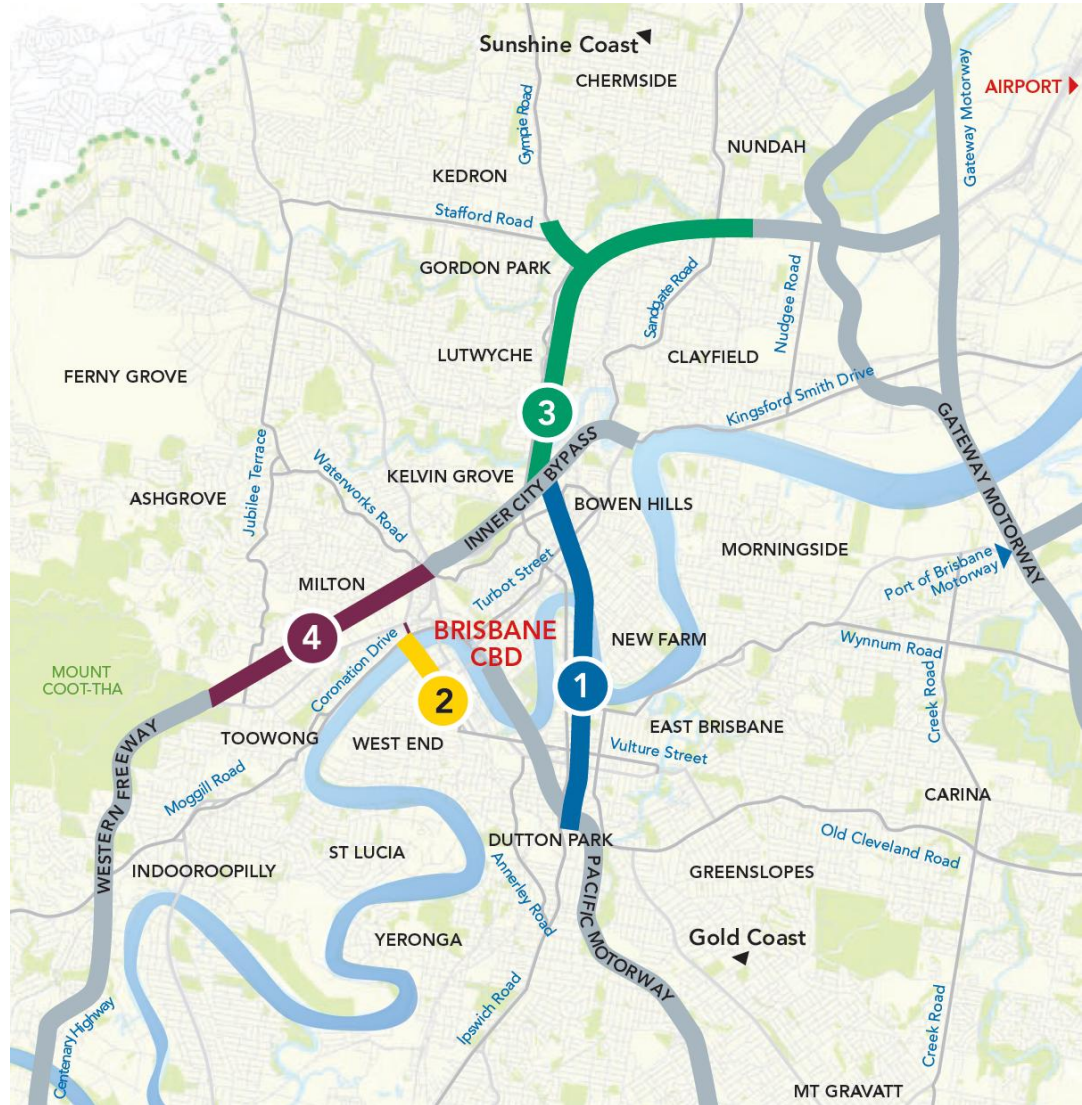
Proposed Standstill Arrangement presented to Bank Syndicate	6 October 2010
Bank Syndicate appointed 333 Advisory	25 October 2010
RiverCity Motorway briefings provided to individual banks in Syndicate	25 Oct 2010 to 9 Nov 2010
IMIS Stage 2 Traffic Forecast (Preliminary Report)	Mid-Nov 2010
Preparation of Business Plan	End-Nov 2010
333 Advisory Report to Bank Syndicate	End-Nov 2010
IMIS Traffic Forecast (Final Report)	Mid-Dec 2010
Target approval of Standstill Arrangement by Bank Syndicate	End-Dec 2010

- Standstill requires unanimous approval of 24-member Bank Syndicate
- Standstill necessary to avoid appointment of an Administrator in 2011

# BRISBANE TOLL ROAD NETWORK

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-  Motorway standard
-  1 Clem Jones Tunnel
-  2 Go Between Bridge
-  3 Airport Link Tunnel
-  4 Northern Link Tunnel



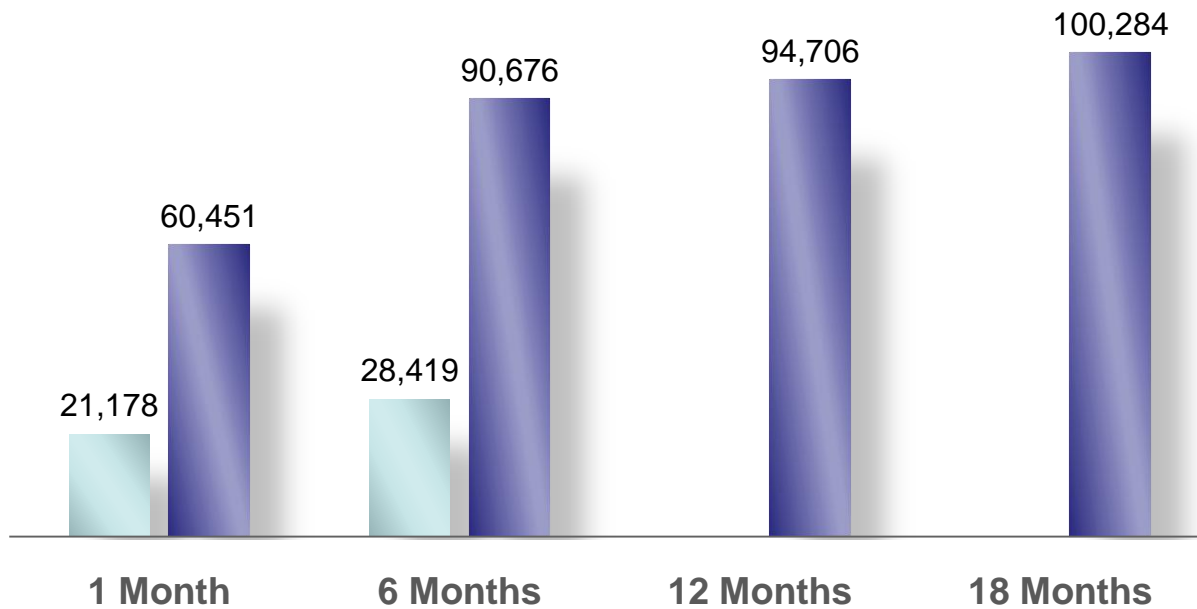
# PDS TRAFFIC FORECAST

- Original traffic forecast prepared by AECOM (formerly Maunsell)
- Comprehensive forecast based on available information and data
- Traffic risks identified in Public Disclosure Statement
- Short-term traffic risks identified during construction:
  - Lack of traffic growth on river crossings
  - Airport Link construction
  - Impact of weaker economic growth on unemployment, business activity and consumer spending

# ACTUAL TRAFFIC VERSUS PDS FORECAST

## Average Daily Trips

Actual Forecast



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# FACTORS BEHIND TRAFFIC SHORTFALL - GROWTH

- Lower road traffic growth on inner city roads
  - “Flat” growth on river crossings reported last year
  - Captain Cook Bridge recorded only 0.4% pa growth, below citywide average
- Adverse economic conditions = less trips
  - Real Financial Demand for Queensland has fallen
  - Unemployment increased to above 5%
  - Fuel prices increased approximately 20% between 2005 and 2009
- Higher growth in public transport (10% in 2006 versus usual 2% to 3%)
- Some indication of less trip generation in inner city area with factors such as car park restraint and slower development
- Capacity constraints on some approach roads

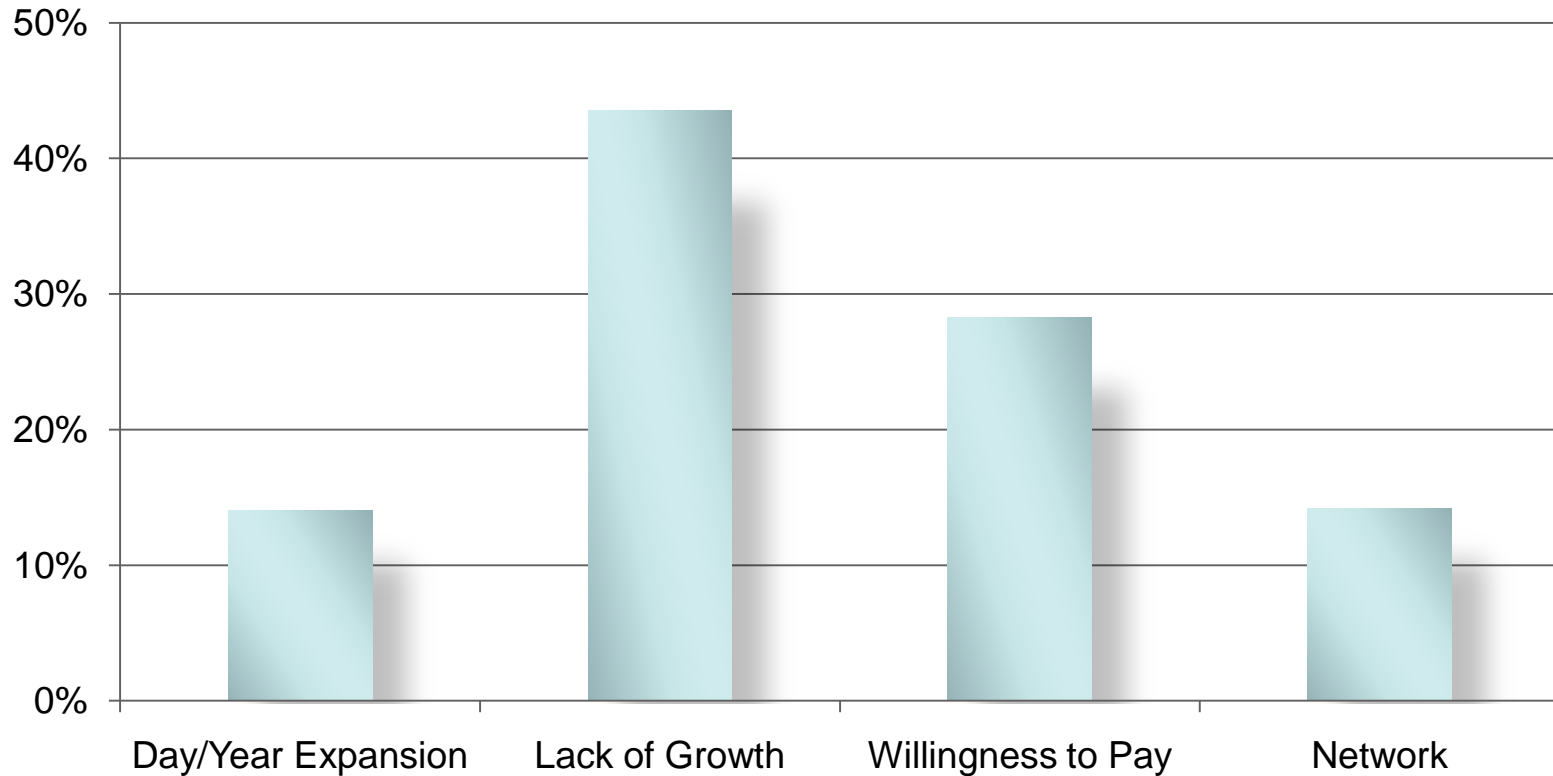
## FACTORS BEHIND TRAFFIC SHORTFALL – WILLINGNESS TO PAY

- Brisbane motorists willingness to pay tolls
  - Price sensitivity to toll levels
  - Place less value on other road benefits – reliability, driving experience
  - Expect greater time savings

## FURTHER FACTORS – NETWORK AND EXPANSION FACTOR

- Network differences
  - Gateway Motorway duplication assumed opening in 2011, but has effectively been opened for much of 2010
  - Hale Street (Go Between Bridge) assumed opening by 2016, but opened mid-2010
  - Allocation of lanes on Main Street and the Story Bridge for urban renewal and provision for buses and high occupancy vehicles have not occurred
- Expansion factor
  - Weekday traffic was forecast at 13.1 times the peak hour traffic, compared to 12 times the peak hour traffic with a \$2.00 car toll
  - Average daily traffic was assumed at 336 times average weekday traffic, actual average daily traffic is 323 times average weekday traffic
  - Fewer motorists travelling in non-peak periods than was forecast
  - IMIS expects non-peak trips to reduce further as tolls are increased
- Factors compound

## INDICATIVE CONTRIBUTION TO TRAFFIC SHORTFALL



CHIEF EXECUTIVE OFFICER | FLAN CLEARY

# REPORT ON OPERATIONS

# AGENDA

- Roadside operations
- Tolling and customer service
- Marketing and promotion
- Business priorities
- Revenue and cost initiatives

## ROADSIDE OPERATIONS

- Brisbane motorists have adapted quickly to driving in tunnel
- Tunnel operators and systems performing as intended
- Excellent response times to breakdowns and incidents
- Night-time closures for quarterly maintenance
- Simulated emergency exercise tested systems and procedures
- Improvements made to signposting and pavement marking

## TOLLING AND CUSTOMER SERVICE

- Tolling commenced on CLEM7 in April 2010
- Initial focus ensuring the CLEM7 was easy-to-use
- Tolling services for Go Between Bridge from July 2010
- FLOW Tolling office operating well
- Focus on increasing efficiency and cost reduction

# MARKETING AND PROMOTION

- 90% unprompted awareness of the CLEM7
- Advertising on television, radio, billboards, in newspapers and online
- Displays at major shopping centres throughout Brisbane
- Maps distributed directly to all households within the road corridor
- 20-page CLEM7 'magazine' inserted in The Sunday Mail newspaper
- 30-minute television special immediately prior to tunnel opening
- Charity toll day and participation in Brisbane Bike Week
- Toll-free, toll discounts and fees waived

# BUSINESS PRIORITIES

- Last year we said we would focus on:
  - Traffic in 2011
  - Costs in 2012
- Times have changed
  - Immediate focus on cost reduction and revenue improvements

# REVENUE INITIATIVES

- Strategy to commence charging maximum allowable tolls
- Maximum allowable tolls for calendar year 2011:
  - Cars \$4.40
  - LCVs \$6.61
  - HCVs \$11.66
  - Motorbikes \$2.20
- Commenced charging fees 1 October 2010 (e.g. image processing fee)
- Installation of billboards to provide additional revenue
- Revenue from sale of land at Kangaroo Point

## COST REDUCTION INITIATIVES

- Reduce number of Directors from seven (7) to four (4)
- Reduce call centre operating hours in line with call volumes
- Improvements to back office systems and process to reduce costs
- Target cost reduction in Operations and Maintenance contract
- Marketing post-opening more targeted and lower cost

CHIEF FINANCIAL OFFICER | CHRISTINE HAYWARD

# FINANCIAL RESULTS

# OPERATING RESULTS

	6 Apr to 30 June 2010 \$m	1 July to 30 Sept 2010 \$m
<b>Operating Revenue</b>		
Toll Revenue	5.2	4.4
Fee Revenue	-	-
Interest Revenue	2.5	1.9
<b>TOTAL</b>	<b>7.7</b>	<b>6.3</b>
<b>Operating Costs</b>		
Road Operations and Maintenance	4.5	4.2
Tolling and Customer Service	2.4	2.1
Administration Expenses	4.1	2.2
<b>TOTAL</b>	<b>11.0</b>	<b>8.5</b>
EBITDA	(3.3)	(2.1)
Interest Payments	23.3	19.3
EBTDA	(26.6)	(21.4)
<b>MONTHLY SHORTFALL</b>	<b>(8.9)</b>	<b>(7.1)</b>

# CASH RESERVES

As at 31 October 2010  
\$m

<b><i>Operational Cash</i></b>	
Discretionary cash for financing costs and operational expenditure	13.8
Ramp-up Reserve*	72.4
<b><i>Restricted Cash</i></b>	
Debt Service Reserve (only available to fund financing costs)	26.6
Local Area Traffic Management Reserve and other restricted cash#	Nil
Cash restricted for Australian Financial Services Licence, toll customer funds and working capital	6.6
<b>TOTAL</b>	<b>119.4</b>

\* Use depends on traffic, the first drawdown of this reserve expected in December 2010.

# \$20.2m transferred to Brisbane City Council 25 October 2010.

CHAIRMAN | ROBERT MORRIS

# SUMMARY AND QUESTIONS

## SUMMARY

- CLEM7 was completed ahead of time and to a high quality
- Operations and tolling have been successfully achieved
- Business facing serious financial challenges
- Bank Group agreement to Standstill Arrangement must be finalised by mid January 2011
- Traffic shortfall caused by low growth, resistance to paying tolls, network differences and shortfall in assessed expansion parameters
- Business Plan to focus on move to full tolls, revenue improvement and cost reduction
- Status of equity is precarious – Board is working with banks to maximise value for all stakeholders