asx release

1 August 2013

Transurban Group 2012/13 Full-Year Results

Please find attached the following:

1. ASX Appendix 4E for the year ended 30 June 2013; and
2. Transurban Holdings Limited and Controlled Entities Financial Statements for the year ended 30 June 2013.

Amanda Street
Company Secretary

Henry Byrne
General Manager, Communications, Media and Investor Relations
0438 564 245

Transurban Group
Transurban International Limited
ABN 90 121 746 825
Transurban Holdings Limited
ABN 86 098 143 429
Transurban Holding Trust
ABN 30 169 362 255
ARSN 098 807 419
corporate@transurban.com
www.transurban.com

Level 3
505 Little Collins Street
Melbourne Victoria 3000
Australia
Telephone +613 9612 6999
Facsimile +613 9649 7380

Level 5
50 Pitt Street
Sydney NSW 2000
Australia
Telephone +612 9254 4900
Facsimile +612 9254 4990

Transurban Group
Appendix 4E
Year ended 30 June 2013

(Previous corresponding period:
Year ended 30 June 2012)

The Transurban Group (the **Group)** comprises the following entities:

Transurban Holdings Limited (ABN 86 098 143 429)
Transurban Holding Trust (ARSN 098 807 419)
Transurban International Limited (ABN 90 121 746 825)

Results for announcement to the market

Statutory results

- Revenue from ordinary activities increased 3.5 per cent to $1,195,078,000
- Profit from ordinary activities after tax increased 198.1* per cent to $174,541,000
- Net profit attributable to members increased 212.7* per cent to $171,706,000
- Profit before depreciation and amortisation, net finance costs, equity accounted investments and incomes taxes increased 6.2 per cent to $676,198,000

Proportional results

- Toll revenue increased 5.0 per cent to $991,377,000
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by 5.6 per cent to $827,997,000
- Free cash increased 2.3 per cent to $443,285,000

Distributions

	Amount per Security cents	**Franked amount per Security %**
Final distribution (declared prior to balance date)	12.0	-
Final dividend (declared prior to balance date)	3.5	100
	15.5	
Interim distribution for the current year	12.0	-
Interim dividend for the current year	3.5	100
	15.5	
Final distribution (prior year)	11.5	-
Final dividend (prior year)	3.5	100
	15.0	
Record date for determining entitlements to distribution	28 June 2013	
Date of payment of final distribution	14 August 2013	

Distribution Reinvestment Plan

Under the Distribution Reinvestment Plan (DRP) security holders may receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. The last date for the receipt of an election notice for participation in the DRP was 28 June 2013. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

* An equity accounting charge of $138.1 million was made in Transurban's statutory accounts for the year ended 30 June 2012, relating to a reduction in the carrying value of Pocahontas 895. This was a significant factor contributing to the increase in statutory net profit in FY13.

Explanation of results
For further explanation of the results please refer to the accompanying ASX Release and the "Operating and Financial Review" in the Directors' Report within the Financial Report.

This document includes presentation of results on a statutory as well as non-statutory basis. The non-statutory basis includes Proportional EBITDA and free cash.

Proportional results

Proportional EBITDA is one of the primary measures that the Board uses to assess the operating performance of the Group, with an aim to maintain a focus on operating results and associated cash generation. It reflects the contribution from individual assets to the Group's operating performance and permits a meaningful analysis of the performance of the Group's assets.

Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership as well as the contribution from central Group functions. The EBITDA calculation from the statutory accounts would not include the EBITDA contribution of the M5, M7 or DRIVe (all equity accounted in the statutory results), which are meaningful contributors to the Group's performance.

Proportional EBITDA is reconciled to the statutory income statement in Note 2 of the Financial Statements.

Free cash

Free cash is the primary measure used to assess the cash performance of the Group. It represents the cash available for distribution to security holders.

Free cash is calculated as statutory cash flow from operating activities from 100 per cent owned subsidiaries plus dividends received from less than 100 per cent owned subsidiaries and equity accounted investments less the estimated annualised maintenance capital expenditure for 100 per cent owned subsidiaries for their remaining concession life.

Entities over which control has been gained or lost
The Group did not gain or lose control of any entities during the year ended 30 June 2013, or during the prior corresponding year.

Investments in associates and joint venture entities
The Group has investments in the following associates and joint venture entities:

Name of company	**Ownership Interest**		**Net profit (loss) contribution to the Group**	
	2013	2012	**2013**	2012
	%	%	**$'000**	$'000
WSO Co Pty Limited	**50.0**	50.0	**-**	-
Westlink Motorway Limited	**50.0**	50.0	**-**	-
WSO Finance Company Pty Ltd	**50.0**	50.0	**-**	-
Westlink Motorway Partnership	**50.0**	50.0	**-**	-
Interlink Roads Pty Limited	**50.0**	50.0	**18,449**	4,750
Transurban DRIVe Holdings LLC	**75.0**	75.0	**(28,187)**	(142,696)
			(9,738)	(137,946)

Other information required by Listing Rule 4.3A
The remainder of information requiring disclosure to comply with Listing Rule 4.3A is contained in the Financial Report (which includes the Directors' Report) and the ASX Release.

Audit
This report has been based on accounts which have been audited by the Group's auditors. A copy of the unqualified audit report can be found in the attached Financial Statements.

Amanda Street
Company Secretary
1 August 2013

Transurban Holdings Limited and Controlled Entities

ABN 86 098 143 429
(including Transurban International Limited and Transurban Holding Trust)

Annual report for the year ended 30 June 2013

Transurban Holdings Limited ABN 86 098 143 429
Annual report - 30 June 2013

Contents

Directors' report

The Directors of Transurban Holdings Limited (THL), Transurban International Limited (TIL), and Transurban Infrastructure Management Limited (TIML), as responsible entity of Transurban Holding Trust (THT), present their report on the Transurban Group for the year ended 30 June 2013.

Group accounts
The Transurban Group financial statements have been prepared as an aggregation of the financial statements of THL and controlled entities, TIL and controlled entities, and THT and controlled entities, as if all entities operate together. They are therefore treated as a combined entity (and referred to as "the Group", or the "Transurban Group" or "Transurban"), notwithstanding that none of the entities controls any of the others.

The financial statements have been aggregated in recognition of the fact that the securities issued by THL, TIL and THT are stapled together and comprise one share in THL, one share in TIL and one unit in THT (Stapled Security). None of the components of the Stapled Security can be traded separately.

Directors
With the exception of the changes noted below, the following persons were Directors of THL, TIML and TIL during the whole of the financial year and up to the date of this report:

Non-executive Directors

Lindsay Maxsted

Neil Chatfield

Robert Edgar

Samantha Mostyn

Robert Officer (resigned 7 August 2012)

Christine O'Reilly

Rodney Slater

Ian Smith

Executive Directors

Scott Charlton (appointed 16 July 2012)

Christopher Lynch (resigned 16 July 2012)

Result
The consolidated net profit for the year ended 30 June 2013 for the Group was $174,541,000 (2012: $58,558,000). The profit attributable to ordinary equity holders of the Group was $171,706,000 (2012: $54,905,000).

Principal activities
The principal activities of the Group during the financial year were the development, operation and maintenance of toll roads.

Distributions

Distributions paid to the ordinary equity holders of the Group during the financial year were as follows:

	2013 $'000	2012 $'000
Distribution payable		
Final distribution for 2013 financial year payable and recognised as a liability: 15.5 cents (2012: 15.0 cents) per fully paid Stapled Security payable 14 August 2013		
Fully franked (2012: fully franked) final dividend based on tax paid at 30% - 3.5 cents (2012: 3.5 cents) per fully paid Stapled Security	**51,856**	51,041
Unfranked final distribution - 12.0 cents (2012: 11.5 cents) per fully paid Stapled Security	**177,791**	167,707
	229,647	218,748
Distributions paid during the year		
Final distribution for 2012 financial year of 15.0 cents (2011: 14.0 cents) per fully paid Stapled Security paid 14 August 2012		
Fully franked dividend based on tax paid at 30% - 3.5 cents (2011: 0.0 cents) per fully paid Stapled Security	**51,041**	-
Unfranked distribution - 11.5 cents (2011: 14.0 cents) per fully paid Stapled Security	**167,707**	202,096
	218,748	202,096
Interim distribution for 2013 financial year of 15.5 cents (2012: 14.5 cents) per fully paid Stapled Security paid 14 February 2013		
Fully franked (2012: fully franked) dividend based on tax paid at 30% - 3.5 cents (2012: 3.5 cents) per fully paid Stapled Security	**51,183**	50,801
Unfranked distribution - 12.0 cents (2012: 11.0 cents) per fully paid Stapled Security	**175,486**	159,654
	226,669	210,455
Total distributions paid during the year	**445,417**	412,551

Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2013 and 30 June 2012		
Paid in cash	**410,848**	336,549
Satisfied by issue of Stapled Securities	**34,567**	76,001
Funds available to future distribution reinvestment plans	**2**	1
	445,417	412,551

Operating and Financial Review - Year ended 30 June 2013

Business review

Transurban is a toll road developer and operator with interests in Australia and the United States. We are an ASX Top 50 company, and have been in business since 1996.

We have an interest in a total of nine roads in Melbourne, Sydney and in Virginia:

Melbourne, Australia	
CityLink	100%
Sydney, Australia	
Hills M2	100%
Lane Cove Tunnel	100%
Eastern Distributor	75.1%
Westlink M7	50%
M5 South West	50%
Virginia, USA	
Pocahontas 895	75%
495 Express Lanes	67.5%
95 Express Lanes (under construction)	67.5%

Business Framework and Strategy
Transurban is focused on providing effective and innovative urban transport solutions in road infrastructure, through the management and development of urban networks of toll road concessions. The effective management of toll road concessions involves leveraging a network footprint in our markets, taking a leading role in shaping policy, and utilising our core capabilities.

These capabilities are defined as:

- Network planning and forecasting
- Operations and customer management
- Project development and delivery
- Application of technology, and
- Community engagement.

As part of the review and confirmation of our strategy in the current period, we have clearly defined our target markets as the eastern seaboard of Australia and northern Virginia in the US.

Finally, the business continues to focus on distribution growth as part of this overall strategy.

Value drivers
The investment proposition for high quality toll road assets lies in providing investors with access to long dated, predictable, growing cash flows generated over the life of the concessions through effective management and development of the road corridors these concessions govern.

The organic growth in the business derived from traffic growth and inflation protected toll escalation across the suite of assets is supported by the effective management of the operations, maintenance and customer management. It is further enhanced by the effective application of technology in key areas including traffic management and tolling. In addition, value is unlocked through the development of the portfolio through a range of activities including asset enhancements such as Sydney's Hills M2 Upgrade and M5 West Widening, and new projects negotiated with governments such as the 495 and 95 Express Lanes projects.

Financial performance

Performance indicators
Proportional EBITDA (earnings before interest, tax, depreciation and amortisation) is one of the primary measures the Transurban Board uses to assess the operating performance of the Group, with the aim of maintaining a focus on operating results and associated cash generation. It reflects the contribution from individual assets to the Group's operating performance and permits a meaningful analysis of the underlying performance of the Group's assets.

To arrive at the proportional result, minority interests in the Group's controlled entities are backed out and Transurban interests in non-controlled assets are included, in proportion to Transurban's ownership.

Free cash is the primary measure used to assess cash generation in the Group. Free cash represents the cash available for distribution to security holders.

Highlights for the year ended
Transurban's net profit for the year ended 30 June 2013 was $174.5 million. Toll revenue increased by 4.7 per cent to $801.2 million. The increase in toll revenue was driven by continued traffic growth across all assets, with the Sydney network beginning to recover through the progressive opening of the M2 Upgrade.

Statutory road operating and corporate costs increased on the prior corresponding period primarily due to:

- Increased traffic volumes
- Non-cash costs associated with the acceleration of accounting for previously issued Long Term Incentives (LTIs) to the former CEO, and
- The commencement of management services for 495 Express Lanes (offsest by other revenue)
- Costs associated with closure of the New York office
- Prior year recovery of costs by our treasury team for the M5 Motorway and;
- Resheeting of M4 Service Centre

Financial position
As discussed above, Transurban is a member of the S&P/ASX 50 with a market capitalisation of around $10.0 billion. At 30 June 2013 1,481.6 million shares were on issue.

Transurban's operating assets are primarily long-life intangible assets, representing the provision by State Governments of the right to toll customers for the use of the assets. The concession assets represent 80.7 per cent of the total assets of the Group. The duration of the asset concessions range from around 30 years to 99 years and for accounting purposes the carrying values are amortised on a straight line basis over the duration of the concession.

Details of the Transurban Group's borrowings are discussed in Financing Activities below.

Operations and performance of Transurban's portfolio of assets – Year ended 30 June 2013
Transurban considers the best measure of the Group's performance to be its underlying proportional EBITDA. To determine the proportional numbers, non-controlling interests are removed from the statutory result and Transurban's interests in non-controlled assets are included in proportion to our ownership.

Note 2 to the statutory accounts (Segment Information - page 70) presents the proportional result for the Transurban Group, including reconciliations to the statutory result. While management considers proportional EBITDA to be the best indicator of asset performance, interest expense and revenue, depreciation and income tax are also included in the Segment Information disclosure.

Underlying traffic and toll revenue performance

The following shows traffic and toll revenue performance of all operating assets for the year ended 30 June 2013. The performance is shown for 100 per cent of each asset. Review of costs and revenue in the commentary below also refer to 100 per cent of the asset.

Asset (and ownership %)	Traffic growth (%)	Toll revenue 2013 $'m	Toll revenue 2012 $'m	Variance $'m	Variance %	% of prop toll revenue
CityLink (100%)	2.4%	495.8	471.6	24.2	5.1%	50.0%
Hills M2 (100%)	1.4%	143.3	141.2	2.1	1.5%	14.5%
Lane Cove Tunnel (100%)	1.8%	61.5	60.0	1.5	2.5%	6.2%
M1 Eastern Distributor (75.1%)	0.1%	100.5	92.6	7.9	8.5%	7.6%
Westlink M7 (50%)	3.4%	209.4	200.5	8.9	4.4%	10.6%
M5 Interlink (50%)	(0.9%)	188.8	181.1	7.7	4.3%	9.5%
Pocahontas (75%) ($'USD)	1.3%	15.5	14.9	0.6	4.0%	1.1%
495 Express Lanes (67.5%) ($'USD)	N/A	7.3	-	N/A	N/A	0.5%

CityLink (Melbourne)

Performance on CityLink was strong throughout the year, with continued traffic growth on all parts of the motorway. Toll revenue increased 5.1 per cent, driven by a 2.4 per cent increase in traffic and a 4.1 per cent increase in toll prices. Weekend traffic was particularly strong, with growth of 6.0 per cent.

Changes to the CityLink employee structure during the year ended led to a reduction in direct employee costs and tolling expenses. In addition there was a decrease in the maintenance provision expense of $0.6 million due to reconsideration of non-critical maintenance of the asset.

Total CityLink costs decreased $3.8 million to $100.7 million, due to the continual assessment of supplier arrangements. CityLink's EBITDA margin remained strong at 89.0 per cent.

A major focus this year has been to reduce the number of 'nose to tail' accidents occurring on CityLink, particularly southbound over the Bolte Bridge. A concentrated safety strategy of 'Look up, stay back', in conjunction with a driver education program sponsored by Murcotts, was launched and variable speed limit signs were introduced over the bridge in order to better manage traffic flows.

Hills M2 (Sydney)

Stages of the Hills M2 Upgrade were progressively completed during the year, contributing to traffic performance beginning to recover. In July 2012 the Windsor Road Ramps opened to tolled traffic, followed by the Macquarie Park Ramps in January 2013. The mainline section west of Pennant Hills Road was completed in April 2013, contributing to traffic growth in that section and the recovery of traffic performance on the M7 Motorway.

Year on year traffic growth on Hills M2 was 1.4 per cent, which included a full year of construction impact. This, plus the introduction of new ramps on the asset, resulted in a toll revenue increase of $2.1 million.

Costs on Hills M2 remained consistent with previous years and the asset achieved an EBITDA margin of 81.9 per cent.

Lane Cove Tunnel/Military Road e-Ramps (Sydney)

Lane Cove Tunnel performance has been impacted this financial year by continued upgrade works on the connecting M2 Motorway.

Traffic grew 1.8 per cent and was the main driver behind a toll revenue increase of $1.5 million. In the current year Tollaust Pty Limited (a Group company) commenced as the Operations and Maintenance provider to Lane Cove Tunnel. This is expected to result in overall savings to the Group however mobilisation costs of the revised arrangement has resulted in costs being consistent year on year for the asset. The EBITDA margin on Lane Cove Tunnel increased by 1.0 per cent to 60.0 per cent.

Non-recourse project debt on Lane Cove Tunnel was refinanced in June 2013.

Statewide Roads Group - M4 Motorway (Sydney)

Transurban acquired all remaining shares on issue from the minority equity holders of Statewide Roads on 2 May 2013. Statewide Roads manages the concession for service centres on the M4 Motorway.

In the year ended 30 June 2013 Statewide Roads contributed $0.7 million to the Group's EBITDA through rental income generated from tenants of the service centres. Statewide Roads is also required to maintain the service centres and in the current year resheeting of the service centres was undertaken.

M1 Eastern Distributor (Sydney) - Airport Motorway Group

The Eastern Distributor is entering a phase of significant major maintenance activities reflecting the stage in the asset's life. This includes the upgrade of the Operations Management and Control System, replacement of the control room video wall and significant resurfacing activities. Planning and execution of these activities has been a focus of the current year and will continue.

This phase of major maintenance resulted in an increase to the annual M1 maintenance provision charge of $2.9 million. Total costs on the M1 increased $2.0 million.

With toll revenue growth of $7.9 million year on year, the M1’s EBITDA margin increased by 0.6 per cent to 71.1 per cent.

M5 Motorway (Sydney) - Interlink Roads Pty Limited

The motorway’s performance has been impacted in the current year by ongoing widening works. In addition the M5 removed cash tolling in 2013 and now operates on a fully electronic basis.

Total costs on the M5 decreased in the current year by $2.2 million, largely due to lower volumes on the road during the widening works. Traffic decreased compared to the prior year by 0.9 per cent. However, revenue increased by 4.3 per cent to $188.8 million due to a truck toll price increase of 50 cents in November 2012.

Despite traffic disruption during the widening, the EBITDA margin increased by 2.2 per cent, to 93.1 per cent for the year ended 30 June 2013.

Westlink M7 (Sydney) - Westlink Motorway Group

The performance of Westlink M7, particularly the northern section, has been impacted during the year by the ongoing Hills M2 Upgrade. Since the completion of the upgrade west of Pennant Hills Road in April 2013, traffic has begun to recover on the M7 - with growth of 5.4 per cent in the fourth quarter.

Traffic growth across the entire motorway was 3.4 per cent and revenue grew by $8.9 million. Total costs decreased by $2.3 million. This was due to cost savings achieved in Roam Tolling’s operations of the Westlink retail function. Due to the growth in toll revenue and cost savings, the M7’s EBITDA margin increased by 2.5 per cent to 81.0 per cent.

Pocahontas 895 (Virginia USA) - Transurban DRIVe

Performance on Pocahontas 895 has continued to be weak throughout the year compared to Transurban's initial expectation of traffic at acquisition in 2006. Following the reduction of the carrying value of DRIVe in 2012, the impact of the 895's poor performance on Transurban's returns is minimal.

Traffic increased 1.3 per cent year on year, contributing to a revenue increase of $0.6 million. Costs increased $0.9 million, leading to a decrease in the overall EBITDA margin by 4.3 per cent to 60.3 per cent.

On 14 June 2013 Transurban announced that discussions to transfer Pocahontas 895 back to the lenders had commenced, however the final structure has not yet been agreed. There is no cash impact of a transfer of the asset back to the lenders and the asset is carried at no value in the Transurban Group balance sheet.

495 Express Lanes (Virginia USA) - Transurban DRIVe

The 495 Express Lanes opened to tolled traffic in November 2012, 6 weeks ahead of schedule. Traffic performance on the lanes has been lower than expected, but has continued to grow. It is still considered too early to determine any reliable traffic trends.

Total toll revenue generated to 30 June 2013 is $7.2 million. 495 Express Lanes has recorded an EBITDA loss since opening of $8.1 million to 30 June 2013. In respect of Transurban's proportional result, this contributed a loss of $5.4 million.

The weekend of 6-7 April 2013 was toll free on 495 Express Lanes, with the view to increasing public awareness of the benefits of using the lanes. This public education and engagement proved positive, with traffic growth increasing after this and other initiatives.

<u>Free cash and cash flows from operations</u>
Free cash represents a key measure of the performance of Transurban's operating assets and provides the basis for determining the distribution to be paid to security holders.

Free cash is calculated as:

> Cash flow from operations of 100 per cent owned assets and operating companies (CityLink, Hills M2, Lane Cove Tunnel, Statewide Roads Group, Roam Tolling, Tollaust and Transurban corporate);
>
> > Excluding Payments for Maintenance of Intangible Assets;
> >
> > Excluding Interest received from Term Loan Notes (M7 Investment returns captured as interest payments);
> >
> > Plus distributions received from non-100 per cent owned assets (Interlink M5, M1 Eastern Distributor)
> >
> > Plus Term Loan Note repayments from Westlink M7 (as a 50 per cent equity accounted investment)
> >
> > Less Provision for Maintenance of Intangible Assets and payments for e-TAGs.

Free cash for the year ended 30 June 2013 was $443.3 million. Free cash per security was 30.1 cents. The calculation of free cash can be found at Note 21 to the statutory accounts.

Business development activities

<u>95 Express Lanes (Virginia USA) – Transurban DRIVe</u>
On 1 August 2012, Transurban announced that financial close had been reached with the Commonwealth of Virginia to build and operate the 95 Express Lanes in Northern Virginia, USA.

The 95 Express Lanes will be a 29-mile (46-kilometre) reversible, two- and three-lane facility, with a 73 year operating concession from opening date.

The cost of construction is expected to be $750 million over a two and a half year period.

Toll system delivery and operations of the 95 Express Lanes are to be managed by Transurban and co-located with the 495 Express Lanes. The 95 Express Lanes will utilise technology developed for the 495 Express Lanes.

At the date of this report the project is 40 per cent complete, has had no lost time injuries and remains on schedule for completion in late 2014.

F3/M2 connector – discussions with NSW Government
Transurban has worked throughout the year to progress the development of the F3/M2 project with the NSW Government. Transurban initiated the process in 2012, presenting the Government with a proposal to develop the project.

On 30 May 2013, the Government announced that it would progress with Transurban to Stage 3 of the proposal process.

In Stage 3, Transurban, its partners and the NSW Government will work together to procure the design and construction (D&C) price. The final funding sources will be a function of the D&C price.

Financing activities

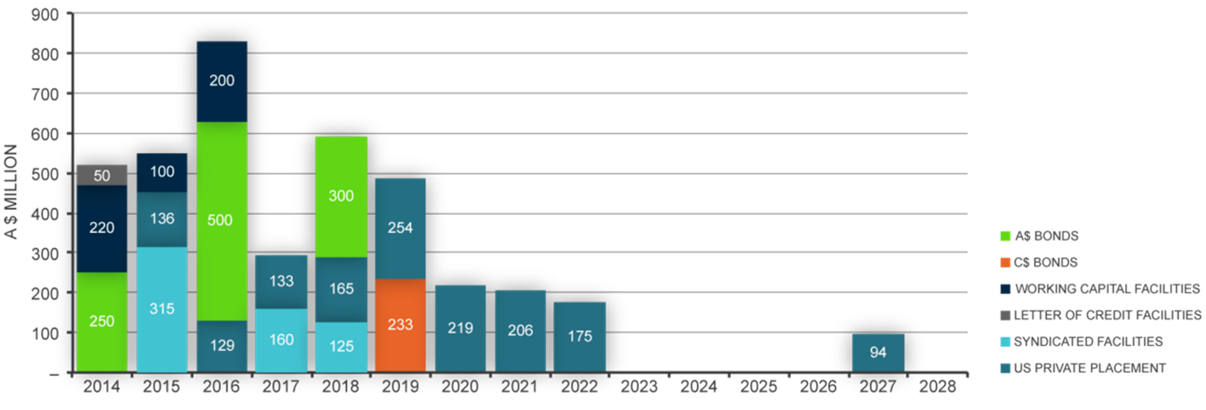
Transurban continued to have success in financing activities in the year ended 30 June 2013:

September 2012	Refinanced $505.0 million of non-recourse project debt on Westlink M7
June 2013	Refinanced $260.0 million of non-recourse project debt on Lane Cove Tunnel.

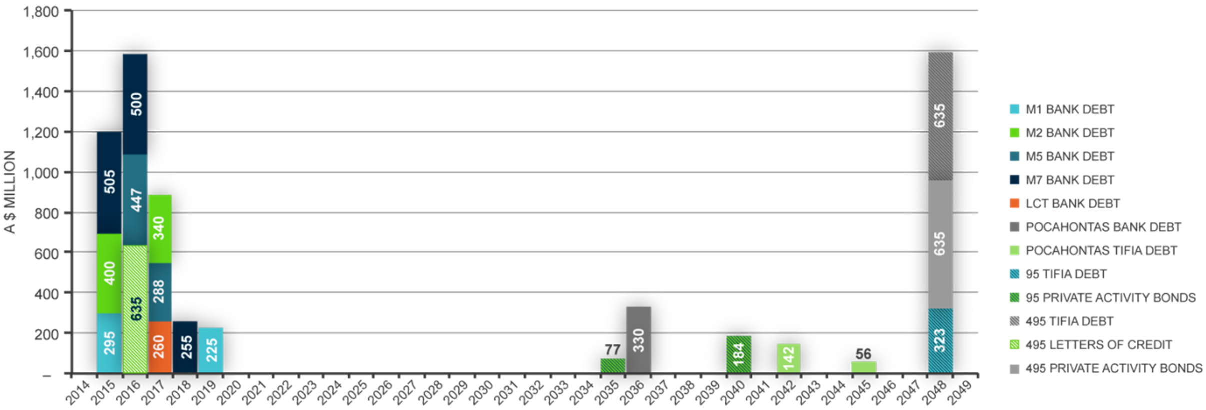
Debt maturity profiles
The following charts show the Group's current debt maturity profile. The charts show the debt in the financial year it matures and in the case of the asset level debt, the full value of the debt facilities has been shown as this is the value of debt for refinancing purposes.

The debt values are shown at 30 June 2013 and Canadian dollar and US dollar debt has been converted at the hedged rate where cross currency swaps are in place. Unhedged US dollar debt has been converted to Australian dollars at spot exchange rate ($0.9275 at 30 June 2013).

Corporate debt maturity profile



Asset level debt maturity profile



<u>Financial risk management</u>
Transurban Group's exposure to financial risk management and its policies for managing that risk can be found in the Financial Risk Management note in note 38 of the statutory accounts.

Note 38 of the Financial Statements outlines Transurban's hedging policies, credit risk, interest rate risk and liquidity and funding policies.

Corporate activities

<u>Change of CEO and Executive Management</u>
A number of changes were made throughout the year to the Transurban structure and Executive leadership team. In addition to Scott Charlton commencing in the role of CEO in July 2012, the following changes occurred:

- Establishment of a 'Delivery and Operations' team with Tim Steinhilber appointed as Group General Manager
- Establishment of a 'Strategy' team with Wes Ballantine appointed as Group General Manager
- Appointment of Sue Johnson as Group General Manager, Human Resources
- Appointment of Lisa Tobin as Group General Manager, Technology
- Appointment of Vin Vassallo as Group General Manager, Victoria following the departure of Elizabeth Mildwater from Transurban, and
- Appointment of Jennifer Aument as Group General Manager, North America.

<u>Issue of securities (underwriting amendment)</u>
As part of the interim distribution Transurban had announced its intention to have the distribution reinvestment plan underwritten by UBS up to an amount of $115 million (or approximately 50 per cent of the distribution). However, on 24 December 2012 this was deemed unnecessary as an agreement was reached with UniSuper Limited to issue 16,260,163 stapled securities at an issue price of $6.15 per security. The underwriting obligations of the interim distribution were therefore cancelled.

People

Diversity

During the reporting period, Transurban established diversity committees to raise awareness and to identify opportunities to improve diversity at all levels of the business. The committees are comprised of representatives from across the Group. The Australian committee is currently chaired by the CEO.

In the current period, a formal education program on diversity was provided to senior management, focusing on inclusive leadership and unconscious bias. A gender pay equity review was also undertaken during the year with no matters of significance noted.

Transurban has identified gender diversity, cultural diversity and flexible work practices as its focus areas for the next year. The Group's Diversity Policy has been reviewed to align it with these areas.

Leadership and development

Twice a year Transurban conducts a talent review with the Executive team. This review helps identify high potential individuals who may have the ability to move into a Senior Leadership or Executive role, or those who may be able to move laterally outside of their area of technical expertise. It also identifies successors for the Executive team and other future leaders. Development activities for this group are monitored throughout the year.

In 2013 Transurban ran a Senior Leadership Development Program focusing on strategy, safety, leadership and diversity. This program was offered in both the US and Australia.

Transurban supports the development of women within the business and has recently started a Coaching and Mentoring program for female middle managers.

Vision and values

In the year ended 30 June 2013 Transurban reviewed and updated its vision and values to bring them into line with the updated Group strategy. Workshops and focus groups were conducted in both the US and Australian offices to give employees significant input into the process. The values established through this process are integrity, collaboration, accountability, ingenuity and respect.

Sustainability

Transurban is committed to taking a sustainable approach to all our operations, projects and business practices to create the best outcomes for our government clients and communities.

During the period, the Transurban Board endorsed a revised Sustainability Strategy, which underpins Transurban's corporate strategy and reinforces our vision to "strengthen communities through transport".

The Sustainability Strategy highlights three key focus areas: *Be good neighbours*, *Use less*, and *Think long term*. The principles inherent in these focus areas enhance our ability to deliver efficient and integrated transport networks that support productivity and the wellbeing of our communities.

We report on our outcomes in these areas in our annual Sustainability Report, which also outlines our commitments for the coming years. Further information on our Sustainability Strategy will be included in our 2013 Sustainability Report, which will be published in October 2013 on our website (www.transurban.com).

Business risks and opportunities

The following are key opportunities that may impact Transurban's financial and operating result in future periods:

- Negotiation of new business opportunities to develop projects and enhance the motorway networks in Transurban's target markets
- Higher traffic volumes across Transurban's assets resulting in stronger cashflows across the Group
- Integration of technology and systems across Transurban assets, including tolling systems, to leverage economies of scale available from Transurban's network footprint.
- Policy change in approach to network pricing to drive efficiencies and improvements in capacity utilisation on Transurban's assets
- Development of connecting infrastructure to drive improved traffic volumes on Transurban's assets
- Changes in law or regulation, that may result in the reduction of taxes or other governmental charges or levies
- Realisation of benefits associated with financing arrangements and financial transactions, including sourcing new financing, the refinancing of existing indebtedness and credit exposures on transactions with financial counterparties.

The following are key risks that may impact Transurban's financial and operating result in future periods:

- Reduced traffic volumes or an inability to grow traffic volumes
- The loss of a toll road concession for non-performance or default under a concession agreement, financing arrangements, or as a result of government action
- Existence and development of, or changes to, competing roads, feeder roads and other means of transport
- Changes in law or regulation, including the imposition of new or increased taxes or other governmental charges or levies
- Adverse tax developments, including as a result of legislative change or interpretation, and changes to accounting standards
- Dependency on the services of key contractors and counterparties for development and construction activities and for the provision of tolling, customer services, operations and maintenance services, road management and control systems
- Exposure to risks associated with financing arrangements and financial transactions, including sourcing new financing, the refinancing of existing indebtedness and credit exposures on transactions with financial counterparties
- Risks of accidents, incidents and other events relating to the assets and insurance policies not providing adequate protection against those risks
- Risks of technology failure resulting in the inability to collect tolls or operate the assets
- Unexpected material maintenance of the assets
- Potential for involvement in legal, regulatory and other proceedings and disputes arising from business and operations; and
- Reliance on dividends, interest on and repayments of shareholder loans from concessionaires and other subsidiaries for funding.

Risk Management
Managing risk is an essential part of our business. Key risks are regularly reviewed by the Board, the Audit and Risk Committee and our Executive Committee.

Transurban has a business-wide risk framework in place to help create and continuously improve a consistent and rigorous approach to identifying, analysing and evaluating risks. This framework has various policies, standards and guidelines attached to it, including the Risk Management Policy which can be found in the Corporate Governance section of our website (www.transurban.com).

The framework is overseen by the Audit and Risk Committee and is actively managed by the Executive Committee. It is consistent with AS/NZ31000:2009 and is subject to regular review by internal audit. Our Audit and Risk Committee Charter is also available in the Corporate Governance section of our website.

Significant changes in the entity's state of affairs

Other than those matters already discussed in the operating and financial review, the following significant change has occurred in Transurban's state of affairs in the year ended 30 June 2013:

- During the year Transurban decided to close its office in New York and focus all US activities out of the 495 Express Lanes HOT Operations Centre in Virginia.

Matters subsequent to the end of the financial year

At the date of this report the Directors are not aware of any other circumstances that have arisen since 30 June 2013 that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Likely developments in future financial years and the expected results of operations

Other than matters already discussed above, any other potential like developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is subject to environmental regulations under Australian Commonwealth and State laws and certain applicable laws in the USA. The Group maintains a comprehensive environmental management plan to monitor the performance of its motorways, and any external parties responsible for operating any of the Group's motorways, and takes remedial steps where necessary.

There were no significant breaches reported during the financial year on the Group's assets.

Information on Directors
Lindsay Maxsted Dip Bus, FCA, FAICD

Chair and independent Non-executive Director

Term of office
Director since 1 March 2008. Chair since 12 August 2010.

Lindsay is currently Chairman and a Non-executive Director of Westpac Banking Corporation, and a Non-executive Director of BHP Billiton Limited and BHP Billiton plc. He is the Managing Director of Align Capital Pty Ltd and the Honorary Treasurer of Baker IDI Heart and Diabetes Institute.

Lindsay was formerly the CEO of KPMG Australia from 2001 - 2007. His principal area of practice prior to this was in the corporate recovery field managing a number of Australia's largest insolvency / workout / turnaround engagements.

Lindsay holds interests in 30,000 Stapled Securities.

Transurban Board Committee membership
Chair of the Nomination Committee and a member of the Audit and Risk Committee.

Scott Charlton BSci, MBA (Texas)

Chief Executive Officer

Term of office
Director since 16 July 2012. CEO since 16 July 2012.

Scott joined Transurban from Lend Lease, where he was Group COO (from November 2011) and Group Director of Operations (from March 2010). Prior to this, Scott held several senior appointments across a range of infrastructure and financial institutions, including as CFO of Leighton Holdings Limited (2007-2009) and as Managing Director of Deutsche Bank in Australia and Hong Kong (1995 - 2003).

Scott holds interests in 88,752 Stapled Securities and 605,904 performance awards.

Information on Directors (continued)
Neil Chatfield M.Bus, FCPA, FAICD

Independent Non-executive Director

Term of office
Director since 18 February 2009.

Neil served as Executive Director and the CFO of Toll Holdings Limited from 1997 until September 2008. Neil has extensive experience in general and financial management, capital markets, mergers and acquisitions and risk management.

Neil is currently the Chairman of Virgin Australia Holdings Limited and of Seek Limited, and a Non-executive Director of Grange Resources Limited. Neil is also Honorary Chairman of HomeGround Services. He was previously a Non-executive Director of Whitehaven Coal Limited (to May 2012).

Neil holds interests in 30,910 Stapled Securities.

Transurban Board Committee membership
Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration and Human Resources Committees.

Robert Edgar BEc (Hons), PhD, FAICD

Independent Non-executive Director

Term of office
Director since 21 July 2009.

Bob has over 30 years experience as a senior executive, with 25 years at ANZ Banking Group in various senior roles, including Deputy CEO, Senior Managing Director, COO, and Chief Economist.

Bob is currently the Chairman of Federation Centres and a Non-executive Director of Asciano Group and of Linfox Armaguard Pty Ltd. He is also Chairman of the Prince Henry's Institute of Medical Research. He was previously a Non-executive Director of Nufarm Limited (to March 2012), AMMB Holdings Berhad, Shanghai Rural Commercial Bank and of the Bank of Tianjin.

Bob holds interests in 24,590 Stapled Securities.

Transurban Board Committee membership
Chair of the Remuneration and Human Resources Committee and member of the Audit and Risk and Nomination Committees.

Information on Directors (continued)
Samantha Mostyn BA, LLB

Independent Non-executive Director

Term of office
Director since 8 December 2010.

Sam is a Non-executive Director and corporate advisor and has previously held senior executive positions at IAG, Optus and Cable & Wireless Plc. Sam is currently Chair of the Stakeholder Advisory Council of the CSIRO's Climate Adaptation Flagship and Deputy Chair of the Diversity Council Australia. She is a member of the NSW Climate Change Council, the advisory boards of ClimateWorks Australia and the Crawford School of Government and Economics, ANU. Sam is a Commissioner of the Australian Football League and the National Mental Health Commission.

Sam is currently a Non-executive Director of Virgin Australia Holdings Limited, Citigroup Pty Ltd, Sydney Theatre Company, Australian Volunteers International and St James Ethics Centre Foundation.

Sam holds interests in 14,000 Stapled Securities.

Transurban Board Committee membership
Member of the Remuneration and Human Resources and Nomination Committees.

Christine O'Reilly BBus

Independent Non-executive Director

Term of office
Director since 12 April 2012.

Christine has in excess of 25 years experience in the finance and infrastructure sectors in various roles including as Co-Head of United Infrastructure at Colonial First State Global Asset Management and as CEO of the GasNet Australia Group.

Christine is currently a Non-executive Director of CSL Limited, Energy Australia, Baker IDI Heart and Diabetes Institute and is the Deputy Chair of CARE Australia.

Christine holds interests in 4,363 Stapled Securities.

Transurban Board Committee membership
Member of the Audit and Risk and Nomination Committees.

Information on Directors (continued)
Rodney Slater J.D., BS

Independent Non-executive Director

Term of office
Director since 22 June 2009.

Rodney is a partner in the public policy practice group of Washington DC firm Patton Boggs, where he has been a leader of its transportation practice since 2001. He served as US Secretary of Transportation from 1997 until the end of the Clinton Administration in January 2001 and was the Administrator of the Federal Highway Administration between 1993 and 1996.

In the US, Rodney's current directorships include Kansas City Southern (railroads), Verizon Communications Inc, Atkins Global, and Southern Development Bancorporation. He was previously a Director of Parsons Brinckerhoff, Delta Airlines, Northwest Airlines, and ICx Technologies Inc. He also served on Transurban's US Advisory Board until November 2008. Rodney is a Director of the Congressional Awards Foundation and United Way Worldwide.

Rodney does not hold interests in any Stapled Securities.

Transurban Board Committee membership
Member of the Nomination Committee.

Ian Smith BE Mining (Hons), BFin Admin

Independent Non-executive Director

Term of office
Director since 1 January 2012.

Ian has more than 30 years experience in the global mining industry in a variety of operational and project management roles. He is currently the Managing Director and CEO of Orica Limited.

Ian is President of The Australian Mines and Metals Association. He was previously the CEO at Newcrest Mining Limited (to July 2011), Chairman of Minerals Council of Australia and a Director of the Australian Chamber of Commerce and Industry.

Ian holds interests in 71,772 Stapled Securities.

Company Secretaries

Amanda Street LLB (Hons), BComm
Amanda joined Transurban in September 2008 and was appointed as Company Secretary in February 2011. Before joining Transurban, Amanda was Assistant Company Secretary at SP Ausnet, and Senior Corporate Counsel at National Australia Bank. She has over 12 years of legal, company secretarial and other relevant experience. Prior to her in-house work, Amanda was a solicitor specialising in M&A work with Australian law firm Mallesons.

Julie Galligan LLB, BA
Julie joined Transurban in November 2008 and was appointed as General Counsel, Australia in February 2012. Julie has over 12 years legal experience in private practice and in-house roles in both Australia and the United Kingdom. Prior to joining Transurban, Julie worked in-house at Associated British Ports.

Meetings of Directors

The number of meetings of the Boards of Directors of THL, TIML and TIL held during the year ended 30 June 2013, and the number of meetings attended by each Director are set out in the following tables.

Meetings of the Boards of Directors of THL, TIML and TIL were held jointly.

	Board of Directors THL		**Board of Directors TIML**		**Board of Directors TIL**	
	Attended	**Held#**	**Attended**	**Held#**	**Attended**	**Held#**
Lindsay Maxsted	9	9	9	9	9	9
Scott Charlton (appointed 16 July 2012)	9	9	9	9	9	9
Christopher Lynch (resigned 16 July 2012)	-	-	-	-	-	-
Neil Chatfield	8	9	8	9	8	9
Robert Edgar	8	9	8	9	8	9
Samantha Mostyn	8	9	8	9	8	9
Robert Officer (resigned 7 August 2012)	1	1	1	1	1	1
Christine O'Reilly	9	9	9	9	9	9
Rodney Slater	9	9	9	9	9	9
Ian Smith	9	9	9	9	9	9

= Number of meetings held during the time the Director held office

The number of meetings of each Board Committee held during the year ended 30 June 2013, and the number of meetings attended by each Director, are set out in the following table.

	Audit and Risk Committee(1)		**Remuneration and Human Resources Committee(2)**		**Nomination Committee(3)**		**Special purpose Sub-committees**	
	Attended	**Held#**	**Attended**	**Held#**	**Attended**	**Held#**	**Attended**	**Held#**
Lindsay Maxsted	6	6	5	*	2	2	1	1
Scott Charlton (appointed 16 July 2012)	6	*	4	*	2	*	1	1
Christopher Lynch (resigned 16 July 2012)	*	*	1	*	*	*	*	*
Neil Chatfield	6	6	5	5	2	2	1	1
Robert Edgar	6	6	5	5	2	2	*	*
Samantha Mostyn	*	*	5	5	2	2	*	*
Robert Officer (resigned 7 August 2012)	2	2	*	*	-	-	*	*
Christine O'Reilly	6	4	*	*	2	2	*	*
Rodney Slater	*	*	*	*	1	2	*	*
Ian Smith	*	*	*	*	2	*	*	*

= Number of meetings held during the time the Director held office and was a member of the Committee
* = Not a member of the relevant Committee

(1) Scott Charlton was not a member of the Audit and Risk Committee but attended meetings during the year.
(2) Lindsay Maxsted, Scott Charlton and Chris Lynch were not members of the Remuneration and Human Resources Committee but attended meetings during the year. Scott Charlton and Chris Lynch were excluded from discussions involving their remuneration during meetings which they attended.
(3) Ian Smith and Scott Charlton were not members of the Nomination Committee but attended meetings during the year.

2013 REMUNERATION REPORT (AUDITED)

Message from the Chairman of the Remuneration and Human Resources Committee

Dear security holder

I am pleased to present Transurban's remuneration report for the year ended 30 June 2013.

Last year's report received strong support at the 2012 AGM. That report detailed the results of our comprehensive review of the Group's executive remuneration arrangements.

We continue to be mindful of the expectations of both the market and security holders in setting the executive reward framework.

There were no substantive changes to our framework or practices this year, but we did make some refinements to further align the remuneration of our leadership team with the creation of sustainable security holder value, business outcomes, and the Group's organisational values: integrity, collaboration, accountability, ingenuity and respect.

A CEO transition and significant executive change also impacted remuneration during the year. Departures were managed in line with the provisions set out in the relevant executive's service agreement and current termination benefits legislation. For new executive appointments, we used market data from an independent remuneration consultant to assist us in determining the quantum and structure of their packages. There was a significant reduction in the average total remuneration package for current executives (including the CEO) on the prior year.

We believe the outcomes are fair and equitable. We also think that our framework gives us a range of mechanisms to balance sensible risk management and motivate executives to deliver outstanding results going forward.

We welcome your feedback on our remuneration practices or on our communication of remuneration matters in this report.

Bob Edgar
Chairman, Remuneration and Human Resources Committee

Remuneration report (continued)

INTRODUCTION

This report, prepared in accordance with the *Corporations Act 2001*, contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who were the 'key management personnel' (KMP) of the Transurban Group (Group) during the year ended 30 June 2013.

The KMP disclosed in this report are listed in the table below:

Current Non-executive Directors
Lindsay Maxsted, Chair
Neil Chatfield
Robert Edgar
Samantha Mostyn
Christine O'Reilly
Rodney Slater
Ian Smith
Former Non-executive Directors
Robert Officer (resigned effective 7 August 2012)
Current Senior Executives*
Scott Charlton, Managing Director and Chief Executive Officer (CEO) (from 16 July 2012)
Jennifer Aument, Group General Manager, North America (from 10 June 2013)[1]
Wesley Ballantine, Group General Manager, Strategy (from 22 November 2012)[2]
Andrew Head, Group General Manager, New South Wales
Samantha Hogg, Chief Financial Officer
Sue Johnson, Group General Manager, Human Resources (from 8 October 2012)[3]
Tim Steinhilber, Group General Manager, Delivery and Operational Excellence (from 10 December 2012)[4]
Lisa Tobin, Group General Manager, Technology (from 4 February 2013)
Vin Vassallo, Group General Manager, Victoria (from 4 February 2013)
Transitioning Senior Executive
Michael Kulper, President North America[5]
Former Senior Executives
Chris Lynch, Managing Director and CEO (resigned as CEO effective 16 July 2012, departed 30 July 2012)
Ken Daley, President, International Development (resigned effective 2 February 2013)
Elizabeth Mildwater, Group General Manager, Victoria (resigned effective 31 March 2013)

** The dates on which the Senior Executives who were promoted or appointed during the year ended 30 June 2013 are the dates that those Senior Executives commenced being members of KMP. Their remuneration for the period during which they were members of KMP is disclosed in this report only.*
1 Formerly Vice President, Public Affairs.
2 Formerly General Manager, Investor Relations, Media and Government.
3 Formerly General Manager, Human Resources.
4 Formerly Vice President, Major Projects.
5 Michael Kulper will depart the Group on 3 September 2013. Refer to section 1B for further details.

CONTENTS

All values in this report are in Australian dollars, unless otherwise stated.

Remuneration report (continued)

1 REMUNERATION SNAPSHOT

Transurban's remuneration framework, as reflected in the 2012 report, received strong support from security holders at the 2012 AGM. The framework was the culmination of a careful and comprehensive review of the Group's remuneration arrangements. This review took into account feedback sought and received from security holders and other stakeholders, market expectations, and regulatory developments. The remuneration framework was largely unchanged during the year ended 30 June 2013. Certain refinements were made to further align reward with the creation of security holder value and the achievement of corporate objectives. The quantum and structure of the remuneration arrangements for new Senior Executives were also benchmarked using market data provided by Ernst & Young. The outcome of this process was a reduction in the CEO's total remuneration package of 28 per cent (assuming 100 per cent vesting of short and long term incentives) and a reduction in the average total remuneration package for current Senior Executives (excluding the CEO) of 27 per cent (again assuming 100 per cent vesting).

A THE REMUNERATION FRAMEWORK

The key elements of the remuneration framework for the CEO and other Senior Executives for the year ended 30 June 2013 were as follows:

Remuneration mix

The remuneration of the CEO and other Senior Executives was structured as a mix of fixed remuneration and variable ('or at risk') remuneration through short term and long term incentive components. The relative weightings of the three components were as follows:

	Total remuneration % (annualised at target)*		
	Fixed TEC	Variable (performance based)	
		STI	LTI
CEO	40	30 (50% deferred)	30
Other Senior Executives	45	30 (30 or 50% deferred)	25

** Transition to the remuneration mix for Michael Kulper was due to occur in FY2014. As a result of his departure from the Group on 3 September 2013, this will no longer occur. Refer to section 1B for further details.*

Fixed total employment cost (TEC)

Fixed TEC was set with reference to the market median, using the ASX 20-50 as the primary reference, with consideration also given to the ASX 100. Remuneration packages (including TEC levels) are reviewed annually by the Remuneration and Human Resources Committee with reference to an individual's role, experience and performance, as well as relevant comparative market data provided by an independent remuneration consultant. TEC levels are also reviewed on a change in role.

Short term incentive (STI)

STI performance measures were again linked to growth in proportional EBITDA, cost management based on proportional net costs, safety, and performance against individual key performance indicators (KPIs).

In the year ended 30 June 2012, mandatory deferral of 30 per cent of the STI award was introduced for the CEO and other Senior Executives. The deferred component was increased in the year ended 30 June 2013 to 50 per cent for the new CEO and other Senior Executives appointed during the year.

The deferral period is two years. For Australian Senior Executives, deferral is into securities. Due to legal restrictions on the issue of securities to USA residents, the USA Senior Executives receive deferred cash awards. The deferred component of remuneration may, at the discretion of the Board, be subject to forfeiture or clawback (e.g. in the event of misconduct or material misstatement of financial results).

Long term incentive (LTI)

LTI performance measures were as follows:

- 50 per cent relative Total Shareholder Return (TSR) measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX 150; and
- 50 per cent Free Cash Flow (FCF) per security, reflecting the Group's focus on the maximisation of free cash flow to drive security holder return. The definition of FCF per security is set out on page 31. The FCF calculation is included in note 21 of the audited financial statements.

Remuneration report (continued)

B OTHER EVENTS / ACTIONS IMPACTING REMUNERATION IN THE YEAR ENDED 30 JUNE 2013

CEO transition

Chris Lynch resigned as CEO, effective 16 July 2012, and departed Transurban on 30 July 2012.

His contractual entitlements on resignation were finalised in the year ended 30 June 2012 and disclosed at the time of his departure and in the 2012 report. As these payments were actually made in the year ended 30 June 2013, they are disclosed again in this report. Chris Lynch only received these payments once, even though they have been disclosed in two reports.

Chris Lynch received the following during the year ended 30 June 2013 in satisfaction of his contractual entitlements:

- an STI for the year ended 30 June 2012 (awarded at 116 per cent of his TEC based on performance against applicable performance targets). The cash component of the award (70 per cent or $1,764,963) was paid in August 2012. The deferred (into securities) component (30 per cent or $756,413) will vest, subject to clawback provisions, on 1 July 2014;

- a pro-rated 'target' level STI award for the 30 days worked during the year ended 30 June 2013 ($178,652) after satisfying performance targets for that period relating to his role in a successful CEO transition process. The award was paid in cash in August 2012; and

- an amount in lieu of an LTI earned but not received for a six month period during his tenure ($1,060,000) in line with his contractual entitlement to receive an LTI award for every day employed by the Group. The payment was made in cash in August 2012.

Equity instruments previously granted to Chris Lynch under the Group's LTI plans will continue on foot in accordance with their original terms, with the applicable performance measures for each grant to be tested at the end of the applicable original performance period.

Chris Lynch did not receive any ex gratia payments on separation.

Scott Charlton commenced as CEO on 16 July 2012.

The remuneration arrangements applying to Scott Charlton under his service agreement were disclosed at the time of his appointment and in the 2012 report. The arrangements were designed in accordance with the Group’s remuneration strategy and were developed with the benefit of input from independent remuneration consultants and Australian peer company benchmark data. The total remuneration package for the CEO has been reduced by 28 per cent (assuming 100 per cent vesting of STIs and LTIs) on the prior year. Further details of Scott Charlton’s remuneration during his first year as CEO are set out in section 4.

As previously disclosed, in the year ended 30 June 2013, Scott Charlton received a one-off grant of equity as a sign-on award in recognition of the incentives he forfeited with his former employer by joining the Group. A total of 236,256 awards were granted to Scott Charlton on 14 September 2012 to vest, subject to his continued employment, in three equal tranches (of 78,752 each) on the first, second and third anniversaries of his commencement with the Group. Each award is an entitlement to receive a fully paid security on vesting. The value of the awards at grant date was $1,349,022. The first tranche (78,752 awards) vested on 16 July 2013. The maximum total value of the grant yet to vest is $899,348 (based on the fair value per award at grant date).

Remuneration report (continued)

Senior Executive restructure and KMP departures

In December 2012, a restructured Executive Committee (the Senior Executive group) was announced.

The new Executive Committee reflects a focus on delivering and enhancing the Group's core competencies and is structured to balance the diverse range of skills and experience required to deliver the Group's strategy. Key portfolios have been elevated to report to the CEO.

The new Executive Committee includes three new positions for existing General Managers (Wesley Ballantine, Sue Johnson and Tim Steinhilber) and an external appointment (Lisa Tobin). Two Senior Executives (Ken Daley and Elizabeth Mildwater) also resigned and departed the Group during the year, and Ms Mildwater's role was filled by an external candidate (Vin Vassallo).

Benchmark data from Ernst & Young was used by the Remuneration and Human Resources Committee to determine the quantum and structure of the remuneration arrangements for the new positions and the new Senior Executives. The remuneration arrangements were subsequently approved by the Board. The process resulted in a reduction in the average total remuneration package for current Senior Executives (excluding the CEO) of 27 per cent (assuming 100% vesting of STIs and LTIs).

The five new Executive Committee members will be eligible for LTIs from 1 July 2013 onwards. No pro rata LTI grants were made during the year ended 30 June 2013 to these Senior Executives. Along with the CEO, they will have 50 per cent of their STI award deferred (for two years) for the year ended 30 June 2013 onwards.

Ken Daley resigned as President, International Development, and departed the Group on 2 February 2013. Elizabeth Mildwater resigned as Group General Manager, Victoria, and departed the Group on 31 March 2013. On departure, Ken Daley and Elizabeth Mildwater forfeited their unvested equity awards (deferred STI and LTIs) in full. Neither received an STI award for the year ended 30 June 2013 nor any ex gratia payments on separation.

USA restructure

In the near term the primary focus for the Group's USA business is on the existing asset base in Virginia. In June 2013, the Board resolved to close the Group's New York office. As a consequence, it was determined that the position of President, North America would no longer be required. As no suitable positions are available for Michael Kulper (the incumbent), his employment with the Group will cease on 3 September 2013. The remuneration arrangements to apply to Michael Kulper on his departure from the Group will be disclosed in the 2014 report.

In June 2013, Jennifer Aument (formerly Vice President, Public Affairs) was appointed Group General Manager, North America and became a member of the Executive Committee. She will be eligible for LTIs from 1 July 2013 onwards. Ms Aument will also have 50 per cent of her STI award deferred (for two years) for the year ended 30 June 2013 onwards.

Remuneration report (continued)

2 REMUNERATION GOVERNANCE

A BOARD AND REMUNERATION AND HUMAN RESOURCES COMMITTEE RESPONSIBILITY

The Remuneration and Human Resources Committee assists the Board in fulfilling its responsibilities relating to the remuneration of Directors, the remuneration of, and incentives for, the CEO and other Senior Executives, and remuneration practices, strategies and disclosures generally. The Committee also reviews gender pay equity.

It is critical that the Remuneration and Human Resources Committee is independent of management when making decisions affecting employee remuneration. Accordingly, the Committee comprises Non-executive Directors, all of whom are independent. Where appropriate, the CEO and the Group General Manager, Human Resources attend Committee meetings, however they do not participate in formal decision making.

The membership of the Remuneration and Human Resources Committee was unchanged in the year ended 30 June 2013. The members of the Committee continued to be Robert Edgar (Chair), Samantha Mostyn and Neil Chatfield. Further details regarding the Committee are set out in the Directors' report.

B ENGAGEMENT OF REMUNERATION CONSULTANTS

To ensure that the Remuneration and Human Resources Committee has all relevant information at its disposal when making remuneration decisions, it may seek and consider advice from independent remuneration consultants where appropriate. Any advice from consultants is used to guide the Committee and the Board, but does not serve as a substitute for thorough consideration of the issues by Directors.

During the year ended 30 June 2013, no consultants provided the Remuneration and Human Resources Committee with a remuneration recommendation relating to KMP. Ernst & Young provided the Committee with benchmark data only.

The Group has a protocol in place governing the appointment of remuneration consultants and the manner in which any recommendations made by those consultants concerning the remuneration of KMP are to be provided to the Group, and in particular the circumstances in which management may be given access to those recommendations. The purpose of the protocol is to ensure that any remuneration recommendations provided by consultants are provided without undue influence by KMP.

In accordance with the protocol, all remuneration recommendations and advice must be sent directly to the Remuneration and Human Resources Committee through the Chair of that Committee. The provision of such material or other information directly to management is prohibited. The protocol also requires a consultant to provide, with their recommendations, both a declaration of their independence from the KMP to whom their recommendations relate, and also confirmation that the Committee's conditions for contact and dialogue with management had been observed.

Remuneration report (continued)

3 REMUNERATION IN CONTEXT

Transurban is focused on providing effective and innovative urban transport solutions in road infrastructure, through the management and development of urban networks of toll road concessions. The effective management of toll road concessions involves leveraging a network footprint in our markets, taking a leading role in shaping policy, and utilising our core capabilities in the following areas:

- Network planning and forecasting;
- Operations and customer management;
- Project development and delivery;
- Application of technology; and
- Community engagement.

The investment proposition for high quality toll road assets lies in providing investors with access to long dated, predictable, growing cash flows generated over the life of the concessions through effective management and development of the road corridors they govern.

The Group is focused on the long term management of toll road assets at various stages of maturity to achieve the best outcomes for investors, Government partners and the community. In Australia, the Group's interests include 100 per cent ownership of CityLink in Melbourne, and the Hills M2 and Lane Cove Tunnel in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1 per cent), the M5 (50 per cent), and the Westlink M7 (50 per cent). In North America, the Group currently has interests in three assets, Pocahontas 895 (75 per cent), the 495 Express Lanes (67.5 per cent), and the 95 Express Lanes project (67.5 per cent), which is currently under construction and remains on schedule for completion in late 2014.

The Board and management are focused on ensuring security holder value is enhanced through the strong performance of the Group's asset portfolio. Development activities also provide opportunities to further expand the portfolio and unlock further value in the concessions.

Remuneration report (continued)

4 CEO / SENIOR EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2013

A REMUNERATION STRATEGY AND POLICY

The Group's executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced management team with the necessary skills and attributes to lead the Group in achieving its business objectives. The strategy also aims to encourage management to strive for superior performance by rewarding the achievement of targets that are challenging, clearly understood, and within the control of individuals to achieve through their own actions.

The Group's remuneration strategy and policy as set by the Board is summarised below:

Creating Security Holder Value

↓

Remuneration Strategy

Attract, retain, motivate and reward executives critical to the Group's growth and success by:

- Offering competitive remuneration that is benchmarked against the external market.
- Providing a balance of fixed and variable (or 'at risk') remuneration.

Align executive reward with individual and Group performance by:

- Making short and long term components of remuneration 'at risk' based on performance.
- Assessing rewards against appropriate financial and non-financial performance measures.
- Encouraging executive security holdings.

↓

Remuneration Structure

Fixed remuneration

Total Employment Cost (TEC):

- Comprises cash salary, superannuation and other prescribed benefits.
- Provides a base level of reward for effective completion of Group and specific accountabilities.
- Appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

Variable (or 'at risk') remuneration

Short term incentive (STI):

- Annual rewards tied to pre-determined individual and Group performance measures, and includes a deferred element.
- Individual targets reflect individual specific accountabilities and key drivers for growth and success.
- Group performance targets linked to earnings, cost management and safety.

Long term incentive (LTI):

- Equity rewards to align executive and security holder interests.
- Vest after three years, subject to achievement of pre-determined internal and external performance measures.
- Encourages sustainable performance in the medium to longer term, and provides a retention element.

Remuneration report (continued)

B REMUNERATION MIX

For the year ended 30 June 2013, the remuneration of the CEO and other Senior Executives was structured as a mix of fixed remuneration and variable (or 'at risk') remuneration through short term and long term incentive components. The relative weightings of the three components were determined by the Board (on the recommendation of the Remuneration and Human Resources Committee) and are set out in the table below:

	Total remuneration % (annualised at target)*		
	Fixed TEC	Variable (performance based)	
		STI	LTI
CEO	40	30 (50% deferred)	30
Senior Executives commencing in FY2013	45	30 (50% deferred)	25
Senior Executives commencing prior to FY2013**	45	30 (30% deferred)	25

** These figures do not necessarily reflect the relative value derived from each of the components, which depends on actual performance against targets for the variable components. The STI percentages are based on achieving the relevant performance targets. The LTI percentages are based on the maximum LTI available at the time of grant to each Senior Executive if the awards granted vest at the end of the performance period.*
*** Transition to the remuneration mix for Michael Kulper was due to occur in FY2014. As a result of his departure from the Group on 3 September 2013, this will no longer occur.*

C FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

Fixed remuneration is represented by total employment cost comprising base salary and superannuation contributions (or pension plans in the case of USA based employees).

Fixed remuneration is not 'at risk' but is set by reference to appropriate benchmark information for an individual's responsibilities, performance, qualifications and experience. There are no guaranteed TEC increases in the service agreement of the CEO or any Senior Executive.

How is TEC determined?

Remuneration packages (including TEC levels) are reviewed annually by the Remuneration and Human Resources Committee with reference to an individual's role, experience and performance, as well as relevant comparative market data. Independent remuneration consultants and surveys, internal relativities and market conditions also provide guidance. TEC levels are also reviewed on a change in role. Any changes to TEC levels recommended by the Committee are approved by the Board.

The CEO's and other Senior Executives' TEC is determined with reference to the market median. The primary reference for determining the market median is the ASX 20-50, with consideration also given to the ASX 100. Consideration is given to sizing factors including market capitalisation and revenue. A range around the median provides flexibility to recognise individual experience and capabilities.

D SHORT TERM INCENTIVE (STI)

How does the STI plan operate?

Eligible permanent Group employees, including the CEO and other Senior Executives, participate in the annual STI plan. The STI plan puts a significant proportion of remuneration 'at risk' subject to meeting specific pre-determined Group, team and individual performance measures linked to corporate objectives. This aligns employee interests with the Group's financial performance, as well as management principles and the Group's cultural values.

For the year ended 30 June 2013, the CEO and other Senior Executives had a target STI opportunity of 30 per cent of their total remuneration package. Mandatory STI deferral of 30 per cent of the overall STI award was introduced for the CEO and other Senior Executives in the year ended 30 June 2012. The deferred component was then increased to 50 per cent during the year ended 30 June 2013 for the CEO and all other newly appointed Senior Executives.

Remuneration report (continued)

The deferral period is two years. For Australian Senior Executives, deferral is into securities. Due to legal restrictions on the issue of securities to USA residents, the USA Senior Executives receive deferred cash awards. The deferred component of remuneration may, at the discretion of the Board, be subject to forfeiture or clawback (e.g. in the event of misconduct or the material misstatement of financial results).

What were the STI performance measures for the year ended 30 June 2013?

The STI performance measures for the CEO and other Senior Executives for the year ended 30 June 2013 were chosen to provide a balance between corporate, individual, operational, strategic, financial and non-financial aspects of performance and are described below:

Measure	Description of targets/indicators for FY2013
Group performance targets	**(1) Growth in proportional EBITDA (20% weighting)** The proportional EBITDA targets were set against the previous year's results and the Group's FY2013 budget:

Proportional EBITDA result	% STI that vests^
Less than 6.7% above underlying result for FY2012	zero
6.7% above underlying result for FY2012	50
Budget EBITDA for FY2013 (9% increase on result for FY2012)	100
17% above underlying result for FY2012	150

^ Straight line vesting applies between 50-100% and 100-150%.

(2) Cost management based on proportional net costs (20% weighting)
The proportional net costs targets were set against the previous year's results and the Group's FY2013 budget. The proportional net costs target excluded Capital Beltway for FY2013:

Proportional net costs result	% STI that vests^
Over FY2013 budget	zero
FY2012 result normalised + CPI	50
FY2012 result normalised	100
$10 million saving on FY2012 normalised result	150

^ Straight line vesting applies between 50-100% and 100-150%.

(3) Safety targets (10% weighting), including multiple indicators that focused on improving the Group's safety culture and reducing workplace injuries for employees and contractors. The safety targets for Australia and the USA comprised a lead and a lag indicator. The Australian lead indicator required the completion of safety development action plans and the lag indicator required a reduction in the Recordable Injury Frequency Rate. The USA lead indicator required the completion of all items outlined in the safety management system and the lag indicator related to the Recordable Incidence Rate for employees and construction contractors.

Measure	Description of targets/indicators for FY2013
Individual key performance indicators (KPIs)	**Individual KPIs (50% weighting)**, were unique to the individual's area of accountability, and in FY2013 related to critical business sustainability measures, including: operational performance; cost reduction; customer satisfaction; project outcomes; succession planning; risk management; people management; strategy development; and business plan implementation. Individual KPIs reflect the behaviours valued by the Group and are capable of measurement. Individuals have a clear line of sight to KPIs and are able to directly affect outcomes through their own actions.

Remuneration report (continued)

Who sets the STI performance measures?

STI performance measures are set at the beginning of the financial year. The CEO's individual KPIs are set by the Board. All other Senior Executives' individual KPIs are set by the CEO and approved by the Board. The Board sets the Group performance targets.

What is proportional EBITDA and why is it used as an STI performance measure?

EBITDA (earnings before interest, taxes, depreciation and amortisation) is a common operational performance measure used by many companies.

Proportional EBITDA is one of the primary measures that the Board uses to assess the operating performance of the Group, with an aim to maintain a focus on the Group's operating results and associated cash generation. It reflects the contribution from individual assets to the Group's operating performance and focuses on elements of the result that management can influence to drive improvements in short term earnings. Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions. The Board believes proportional EBITDA provides a better reflection of the underlying performance of the Group's assets than statutory EBITDA. The EBITDA calculation from the statutory accounts would not include the EBITDA contribution of the M5, M7 or DRIVe (equity accounted in the statutory results), which are meaningful contributors to the Group's performance. Proportional EBITDA figures used to assess performance are included in note 2 of the audited financial statements.

The Board can decide to exclude specific items from proportional EBITDA to provide an underlying result when determining performance incentives. For the year ended 30 June 2013, the Board resolved to exclude costs associated with the CEO transition. The Board also determined that the contribution by Capital Beltway Express (the 495 Express Lanes) be excluded when determining performance incentives during the period of ramp up for this asset.

Proportional EBITDA has been used by the Group as an STI performance measure since 2009.

What are proportional net costs and why is it used as a performance measure?

Proportional net costs is calculated as fee and other revenue less total costs of the Group. Costs after fee and other revenues encourages and allows management to incur additional costs where these are justified by increased revenue results.

The use of a cost related STI performance measure reflects the fact that management has the ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and free cash flow and ultimately security holder value.

Proportional net costs has been used by the Group as an STI performance measure since 2010.

How are the varying levels of performance achievement rewarded?

STI targets are designed to differentiate and reward high performance. 50 per cent of the available STI vests for on-target performance, 100 per cent vests for high performance and up to an additional 50 per cent can be earned for exceptional performance. These targets are consistent for all of the Group's eligible employees. Given that STI awards are contingent on performance across a range of measures, maximum STI awards can only be achieved for performance that is exceptional on all measures.

How is performance assessed?

Performance against the Group performance targets is assessed by the Board. The results are independently reviewed.

The CEO's performance against his individual KPIs is assessed by the Remuneration and Human Resources Committee, which then makes recommendations to the Board. The performance of other Senior Executives against their individual KPIs is assessed by the CEO, who confers with the Committee and then the Board regarding his assessment.

Remuneration report (continued)

Once KPIs have been assessed, the Board approves STI awards. STI cash awards for the year ended 30 June 2013 will be paid in August 2013. The STI deferred component for the year ended 30 June 2013 will be awarded in August 2013 and will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 1 July 2015.

The Board believes the method of assessment is rigorous and provides a balanced evaluation of the performance of the CEO and each other Senior Executive.

What if a Senior Executive ceases employment?

Under the service agreements for the CEO and other Senior Executives, if the CEO or other Senior Executive ceases employment with the Group before performance against STI targets is assessed, they would generally not be entitled to receive any STI award, unless otherwise determined by the Board.

What were the STI performance outcomes for the year ended 30 June 2013?

Group performance in respect of the proportional EBITDA, proportional net costs and safety STI performance measures for the year ended 30 June 2013 was assessed by the Board as 100 per cent in Australia and 100 per cent in the USA.

STI awards for the CEO and other Senior Executives for the year ended 30 June 2013 are set out below:

	STI outcome (%)			Actual STI awarded[1] ($)		STI forfeited (%)
	Group performance	Individual KPIs	Total	Cash[2]	Deferred into securities[2]	
Current Senior Executives						
S Charlton	100	110	105	738,300	738,300	-
J Aument	100	130	115	10,775[3]	10,775[3]	-
W Ballantine	100	100	100	81,150[3]	81,150[3]	-
A Head	100	70	85	241,395	103,455	15
S Hogg	100	80	90	284,935	122,115	10
S Johnson	100	130	115	112,325[3]	112,325[3]	-
T Steinhilber	100	110	105	97,825[3]	97,825[3]	-
L Tobin[4]	-	-	-	-	45,000	-
V Vassallo[4]	-	-	-	-	45,000	-
Transitioning Senior Executive						
M Kulper[5]	-	-	75	362,264	155,256	25
Former Senior Executives						
C Lynch[6]	100	100	100	178,652	-	-
K Daley	-	-	-	-	-	100
E Mildwater	-	-	-	-	-	100

1 On-target performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of FY2013 was nil. The maximum potential value of the STI was the "Actual STI awarded".
2 The cash STI payments will be paid in August 2013. The STI deferred component (30/50 per cent of the STI awarded) will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 1 July 2015.
3 The Senior Executive was not a member of KMP for the entirety of FY2013. Accordingly only the STI earned whilst a member of KMP is included in the table.
4 Lisa Tobin and Vin Vassallo were granted STI deferred awards in recognition of their contribution and performance since joining the Group in February 2013.
5 An overall outcome of 75 per cent of his available STI was awarded to Michael Kulper for FY2013. A holistic approach, which took into account the performance of the 495 Express Lanes, was considered appropriate in determining his STI. As noted in section 1B, Michael Kulper will depart the Group in September 2013.
6 Chris Lynch received a pro-rated STI in August 2012 based on performance and targets for his time served during FY2013.

Remuneration report (continued)

What was the grant and movement in the number of STI deferred awards?

Mandatory STI deferral was introduced in the year ended 30 June 2012, with the first grant of awards made in August 2012.

	Balance at start of year	Granted during year as remuneration	Matured and paid during year	Forfeited during the year	Balance at the end of year
Current Senior Executives*					
J Aument	-	14,789[1]	-	-	14,789
W Ballantine	-	15,212[1]	-	-	15,212
A Head	-	22,449	-	-	22,449
S Hogg	-	18,973	-	-	18,973
S Johnson	-	16,540[1]	-	-	16,540
T Steinhilber	-	19,356[1]	-	-	19,356
Transitioning Senior Executive					
M Kulper	-	36,464	-	-	36,464
Former Senior Executives					
C Lynch[2]	-	133,099	-	-	133,099
K Daley	-	26,742	-	(26,742)	-
E Mildwater	-	19,863	-	(19,863)	-

** Scott Charlton, Lisa Tobin and Vin Vassallo joined the Group after the FY2012 STI performance period and therefore were not entitled to receive an STI deferred award in respect of that period.*
1 STI deferred awards granted during the year as remuneration occurred prior to the Senior Executive becoming a member of KMP.
2 Refer to section 1B for further details of Chris Lynch's contractual entitlements on resignation.

E LONG TERM INCENTIVE (LTI)

How does the LTI plan operate?

The LTI plan aligns reward with security holder value by tying this component of executive remuneration to the achievement of performance measures that underpin sustainable long term growth.

Participation in the LTI plan is offered to the CEO and other Senior Executives, and certain other employees nominated by the CEO and approved by the Board. For the year ended 30 June 2013, the CEO was offered an LTI grant equivalent to 30 per cent of his total remuneration package. Other eligible Senior Executives were offered grants equivalent to 25 per cent of their total remuneration package.

LTI grants are made in the form of performance awards under the Group’s Performance Awards Plan (PAP) at no cost to the recipient. Each performance award is an entitlement to receive a fully paid security, or an equivalent cash payment, on terms and conditions determined by the Board, subject to the achievement of certain vesting conditions linked to performance over a three year period.

Subject to the achievement of the performance measures, upon vesting, the Board will determine in its absolute discretion whether the performance awards will be settled in securities or a cash payment of equivalent value. Due to legal restrictions on the issue of securities to USA residents, the USA Senior Executives receive a cash payment upon vesting.

Performance awards that do not vest after testing of the performance measures lapse, without retesting. Performance awards are not transferable and do not carry voting or distribution rights. However securities allocated upon vesting of performance awards carry the same rights as other Transurban securities.

What were the LTI performance measures for the year ended 30 June 2013?

Performance awards granted during the year ended 30 June 2013 are subject to a three year performance period and the following dual performance measures over that period:

Remuneration report (continued)

Measure	% weighting	Description of measure
Relative TSR	**50%**	Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150. The 37 companies in this group are: *Telstra Corporation Ltd, Westfield Group, QR National Ltd, Westfield Retail Trust, Stockland, Leighton Holdings Ltd, AGL Energy Ltd, BWP Trust, GPT Group, Goodman Group, CFS Retail Property Trust, Lend Lease Group, Asciano Ltd, Qantas Airways Ltd, Dexus Property Group, Mirvac Group, Telecom Corporation of New Zealand Ltd, Toll Holdings Ltd, SP Ausnet, APA Group, Commonwealth Property Office Fund, UGL Ltd, Cardno Limited, Auckland International Airport Ltd, Centro Retail Australia, Investa Office Fund, Spark Infrastructure Group, Charter Hall Retail Reit, Australand Property Group, Monadelphous Group Ltd, Duet Group, TPG Telecom Ltd, Australian Infrastructure Fund, Envestra Limited, Hastings Diversified Utilities Fund, QUBE Logistics Holdings Limited and Sydney Airport.* TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income which was reinvested on a pre-tax basis. For performance awards granted during the year ended 30 June 2013, the relative TSR component will vest on a straight line basis if the Group's relative TSR performance is above the median of the bespoke comparator group at the end of the performance period, in accordance with the following table:

TSR vesting schedule:

The Group's relative TSR ranking in the comparator group	% of performance awards that vest
At or below the 50% percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50% and 100%
At or above the 75th percentile	100%

Measure	% weighting	Description of measure
Growth in FCF per security	**50%**	Within Transurban, Free Cash Flow (FCF) per security is defined as: • the Group's cash flow from operating activities; • less: cash flows from operating activities of non 100% owned assets; • add back: maintenance capital expenditure for 100% owned assets; • less: accounting charge for maintenance provision for the year; • less: actual tag expenditure in 100% owned assets; • add: dividends received from non 100% owned assets; • divided by: weighted average number of securities issued. The FCF calculation is included in note 21 of the audited financial statements. For performance awards granted during the year ended 30 June 2013, the FCF per security component will vest based on the Group's compound annual growth in FCF per security over the three year performance period, as set out below:

Growth in FCF per security vesting schedule:

% compound annual growth in FCF per security	% of performance awards that vest
6%	50%
Between 6% and 9%	Straight line vesting between 50% and 100%
9% or more	100%

For performance awards granted during the year ending 30 June 2014, the performance target range for compound growth in FCF per security is between 12 per cent and 15 per cent.

Remuneration report (continued)

Why were these LTI performance measures selected?

The TSR target is a relative, external, market-based performance measure against those companies with which the Group competes for capital. It provides a direct link between executive reward and security holder return.

Growth in FCF per security reflects the Group's continuing focus on the maximisation of free cash, and has been used as an LTI performance measure since the year ended 30 June 2012.

How will the LTI performance targets be measured?

Relative TSR
The Group will receive an independent report that sets out the Group's TSR growth and that of each company in the bespoke comparator group. A volume weighted average price of securities for the 20 trading days up to and including the testing date is used in the calculation of TSR.

The level of TSR growth achieved by the Group will be given a percentile ranking having regard to the Group's performance compared to the performance of other companies in the comparator group (the highest ranking company being ranked at the 100th percentile). This ranking will determine the extent to which performance awards subject to this target will vest.

FCF per security
The Group's FCF per security percentage growth rate will be calculated based on the FCF per security over the three year performance period.

The Board considers these methods of measurement to be rigorous and transparent.

What if a Senior Executive ceases employment?

Under the terms of the service agreements for the CEO and other Senior Executives, if the CEO or other Senior Executive ceases employment with the Group before the performance measures are tested, their unvested performance awards would generally lapse, unless otherwise determined by the Board.

What will happen in the event of a change in control?

In the event of a takeover or change of control of the Group, the treatment of any unvested performance awards granted in the year ended 30 June 2013 will be subject to the incumbent Board's discretion.

Remuneration report (continued)

What was the grant, and movement in the number and value, of performance awards during the year ended 30 June 2013?

Eligible Senior Executives (excluding the CEO) received performance awards with a grant date of 15 August 2012. Following the receipt of security holder approval at the 2012 Annual General Meeting, the CEO received performance awards with a grant date of 19 October 2012. All performance awards granted in the year ended 30 June 2013 vest subject to a performance period from 1 July 2012 through to 30 June 2015.

The relevant values of the grants are as follows:

Recipient	Grant date	Fair value of awards at grant date[1]($)		Closing security price at grant date
		Relative TSR	FCF per security	
Eligible Senior Executives	15 August 2012	$2.72	$4.99	$5.75
CEO	19 October 2012	$2.95	$5.43	$6.16

1 An explanation of the pricing model used to calculate these values is set out in note 34 to the audited financial statements.

Performance awards granted in FY2013

Name	Number of performance awards granted[3]	Value at grant date ($)	Maximum total value of grant yet to vest[4]($)
Current Senior Executives*			
S Charlton[1, 2]	448,400	1,848,114	1,848,114
A Head	112,754	427,605	427,605
S Hogg	125,696	476,684	476,684
Transitioning Senior Executive			
M Kulper	178,830	678,189	678,189
Former Senior Executives			
K Daley[5]	137,167	520,188	-
E Mildwater[5]	112,754	427,605	-

** Jennifer Aument, Wesley Ballantine, Sue Johnson, Tim Steinhilber, Lisa Tobin and Vin Vassallo were not eligible for an LTI grant (including any pro rata grant) in respect of FY2013.*
1 The grant made to the CEO constituted his LTI entitlement for FY2013 and was made following security holder approval at the 2012 AGM on the terms summarised above. Performance awards vest subject to performance over the period from 1 July 2012 through to 30 June 2015.
2 In September 2012, Scott Charlton received a one-off sign-on grant of 236,256 performance awards to vest, subject to his continued employment, in three equal tranches (of 78,752 each) on the first, second and third anniversaries of his commencement with the Group. The first tranche (78,752 awards) vested on 16 July 2013. The maximum total value of the grant yet to vest is $899,348 (based on the fair value per award at grant date).
3 The grants made to Senior Executives assume full vesting of their full LTI entitlement for FY2013 and were made on the terms summarised above. Performance awards vest subject to performance testing over the period from 1 July 2012 through to 30 June 2015.
4 The maximum value of the grant has been estimated based on the fair value per award at date of grant. The minimum total value of the grant, if the applicable performance measures are not met, is nil.
5 Performance awards lapse where the performance and service measures are not satisfied on testing. On departure from the Group, Ken Daley and Elizabeth Mildwater forfeited their awards. The value of the forfeited awards was $520,188 for Ken Daley and $427,605 for Elizabeth Mildwater. No other Senior Executives forfeited performance awards during the year.

Remuneration report (continued)

F LEGACY LTI PLANS

The Group has a number of LTI plans that were offered in previous years, as detailed below:

Plan	FY2012 PAP	FY2011 PAP	FY2010 PAP
Grant date	26 Sep 2011 11 Nov 2011 (CEO only)	1 Nov 2010	11 Dec 2009
Performance period	1 Jul 2011 - 30 Jun 2014	TSR : 1 Nov 2010 - 1 Nov 2013 EBITDA : 1 Jul 2010 - 30 Jun 2013	1 Jul 2009 - 30 Jun 2012
External performance measure (50% of grant)	Relative TSR	Relative TSR	Relative TSR
Comparator group	33 companies within a bespoke comparator group within the ASX150	The S&P/ASX 100	
Vesting schedule	**Relative TSR**	**% of performance awards that vest**	
	Above 50th percentile to 75th percentile	Straight line vesting between 50%-100%	
	At or above the 75th percentile	100% vests	
Internal performance measure (50% of grant)	Growth in free cash flow (FCF) per security	Group's annual growth in proportional EBITDA	Group's annual growth in proportional EBITDA
	From 7% - 10%	From 7% - 11%	From 6% - 9%
Vesting schedule	**Compound growth**	**% of performance awards that vest**	
	At target	50% vests	
	From target % to stretch %	Straight line vesting between 50% - 100%	
	At or above stretch %	100% vests	
Current status	To be tested after 30 Jun 2014	To be tested after 1 Nov 2013	TESTED 100% vested on 11 Dec 2012
Awards on issue	1,135,896	1,607,159	-

Remuneration report (continued)

Value of performance awards vested and lapsed in the year ended 30 June 2013

The FY2010 PAP vested on 11 December 2012. 100 per cent of awards subject to the TSR performance measure vested based on the Group’s ranking against the constituents of the S&P/ASX 100. 100 per cent of awards subject to the proportional EBITDA measure vested based on performance against target. There were no awards that lapsed.

	FY2010 PAP - Vested	
Name	**Number**	**Value ($)[1]**
Current Senior Executives		
J Aument[2]	17,768	73,737
W Ballantine[2]	20,030	83,125
A Head	59,347	246,290
S Hogg	47,478	197,034
S Johnson[2]	23,145	96,052
T Steinhilber[2]	25,022	103,841
Transitioning Senior Executive		
M Kulper	161,956	672,117
Former Senior Executives		
C Lynch[3]	617,211	2,561,426
K Daley	111,276	461,795
E Mildwater	66,766	277,079

1 Based on the fair value at date of grant.
2 Awards granted prior to the Senior Executive becoming a member of KMP. Awards vested while the Senior Executive was a member of KMP except for Jennifer Aument who became a member of KMP after vesting.
3 Refer to section 1B for further details of Chris Lynch's contractual entitlements on resignation.

Remuneration report (continued)

Number of performance awards on issue as at 30 June 2013

The number of performance awards held by members of KMP as at 30 June 2013 is provided below. Comparative data is shown for those Senior Executives who were members of KMP during both the years ended 30 June 2013 and 30 June 2012.

	Balance at start of year	Granted during year as remuneration	Matured and paid during year	Lapsed or forfeited during year	Balance at the end of year
Current Senior Executives*					
S Charlton					
2013	-	684,656[1]	-	-	684,656[1]
J Aument					
2013	39,365[2]	-	(17,768)[3]	-	21,597
W Ballantine					
2013	44,471[2]	-	(20,030)	-	24,441
A Head					
2013	257,636	112,754	(59,347)	-	311,043
2012	196,382	107,766	(44,054)	(2,458)	257,636
S Hogg					
2013	214,633	125,696	(47,478)	-	292,851
2012	136,569	101,320	(22,027)	(1,229)	214,633
S Johnson					
2013	52,771[2]	-	(23,145)	-	29,626
T Steinhilber					
2013	53,777[2]	-	(25,022)	-	28,755
Transitioning Senior Executive					
M Kulper					
2013	491,675	178,830	(161,956)	-	508,549
2012	477,811	159,286	(137,736)	(7,686)	491,675
Former Senior Executives					
C Lynch[4]					
2013	2,016,918	-	(617,211)	-	1,399,707
2012	1,785,615	715,024	(458,156)	(25,565)	2,016,918
K Daley					
2013	284,440	137,167	(111,276)	(310,331)	-
2012	223,297	128,294	(63,602)	(3,549)	284,440
E Mildwater					
2013	265,055	112,754	(66,766)	(311,043)	-
2012	186,359	107,766	(27,534)	(1,536)	265,055

** Lisa Tobin and Vin Vassallo joined the Group in February 2013 and did not receive a pro rata LTI grant in respect of FY2013.*
1 This number includes the 236,256 performance awards granted to Scott Charlton in September 2012 as a sign-on award, to vest, subject to his continued employment, in three equal tranches on the first, second and third anniversaries of his commencement with the Group. The first tranche (78,752) awards vested on 16 July 2013. Therefore as at the date of this report, Scott Charlton has 605,904 performance awards yet to vest of which 157,504 awards relate to his sign-on award.
2 Opening balance held prior to the Senior Executive becoming a member of KMP.
3 Awards matured and paid during the year occurred prior to the Senior Executive becoming a member of KMP.
4 Refer to section 1B for further details of Chris Lynch's contractual entitlements on resignation.

Remuneration report (continued)

G REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

	Short-term employee benefits			Deferred STI[4]	Post-employment benefits	Termination benefits	Long term benefits	Share based benefits[5]	Total
	Cash salary and fees	Cash STI[2]	Non-monetary benefits[3]		Super -annuation		Long service leave		
Current CEO									
S Charlton (from 16 July 2012)									
2013	1,789,850	738,300	22,379	246,100	15,098	-	-	1,302,848	4,114,575
2012	-	-	-	-	-	-	-	-	-
Current Other Senior Executives									
J Aument (from 10 June 2013)[1]									
2013	27,260	10,775	-	5,204	916	-	-	3,534	47,689
2012	-	-	-	-	-	-	-	-	-
W Ballantine (from 22 November 2012)[1]									
2013	230,757	81,150	3,398	44,498	9,836	-	15,368	26,851	411,858
2012	-	-	-	-	-	-	-	-	-
A Head									
2013	589,279	241,395	2,366	77,012	16,470	-	12,696	441,434	1,380,652
2012	571,722	297,686	2,260	42,527	22,760	-	15,258	347,920	1,300,133
S Hogg									
2013	656,561	284,935	2,030	76,648	16,470	-	13,674	407,426	1,457,744
2012	555,892	251,598	1,903	35,943	15,775	-	11,492	280,575	1,153,178
S Johnson (from 8 October 2012)[1]									
2013	280,971	112,325	3,823	60,277	12,043	-	23,829	38,665	531,933
2012	-	-	-	-	-	-	-	-	-
T Steinhilber (from 10 December 2012)[1]									
2013	269,441	259,550	52,658	53,001	6,388	-	-	58,491	699,529
2012	-	-	-	-	-	-	-	-	-
L Tobin (from 4 February 2013)[1]									
2013	185,869	-	710	15,000	6,863	-	-	-	208,442
2012	-	-	-	-	-	-	-	-	-
V Vassallo (from 4 February 2013)[1]									
2013	176,134	-	710	15,000	6,863	-	-	-	198,707
2012	-	-	-	-	-	-	-	-	-
Transitioning Senior Executive									
M Kulper									
2013	1,067,296	362,264	15,482	120,168	10,997	-	28,977	1,441,431	3,046,615
2012	955,653	492,765	-	70,395	9,458	-	16,165	1,033,606	2,578,042
Former CEO									
C Lynch (resigned effective 16 July 2012)									
2013	144,951	178,652	555	504,275	5,490	-	(62,121)	6,103,665[6]	6,875,467
2012	2,153,375	1,764,963	46,299	252,138	15,775	-	40,812	3,086,801	7,360,163
Former Other Senior Executives									
K Daley (resigned effective 2 February 2013)									
2013	816,330	-	53,262	(50,659)	13,725	-	8,346	(341,435)	499,569
2012	704,498	354,612	118,030	50,659	45,813	-	21,983	594,613	1,890,208
E Mildwater (resigned effective 31 March 2013)									
2013	485,161	-	1,525	(37,627)	13,725	-	(15,434)	(274,631)	172,719
2012	569,468	263,390	2,028	37,627	15,775	-	10,015	350,916	1,249,219
T Honan (resigned effective 2 May 2012)									
2013	-	-	-	-	-	-	-	-	-
2012	1,149,822	475,000	3,951	-	26,775	-	-	(824,365)	831,183

1 The dates on which the Senior Executive who were promoted or appointed during FY2013 are that dates that those Senior Executives commenced being a KMP. Their remuneration for the period during which they were members of KMP is disclosed in the table only.
2 The amount represents the cash STI payment to the Senior Executive for FY2013, which will be paid in August 2013. Tim Steinhilber also received a payment of $161,725 in relation to the successful delivery of the 495 Express Lanes (paid in February 2013).
3 Non-monetary benefits include Group insurance and expatriate allowances (where relevant).
4 A component of STI award is deferred into securities. In accordance with Accounting Standards, the deferred component will be recognised over the three year service period. The amount recognised in this table is the FY2013 accounting charge for unvested grants.
5 In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period.

Remuneration report (continued)

5 (continued) The amount included as remuneration may be different to the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest. The fair value of performance awards at the date of their grant has been independently determined in accordance with AASB 2. The fair value of the performance awards has been valued applying a Monte Carlo simulation to model Transurban's security price and where applicable, the TSR performance against the comparator group performance. The assumptions underpinning these valuations are set out in note 34 to the audited financial statements.
6 The value for share based benefits for Chris Lynch includes all unvested LTI awards. In accordance with Accounting Standard AASB 2, these have been accounted as an acceleration of vesting. The amount that would have been recognised for services received from Chris Lynch as CEO of the Group over the remainder of the vesting period has been included in the table above. These awards will continue on foot in accordance with the original terms, with the applicable measures for each grant to be tested at the end of the applicable original performance period. These LTI awards may or may not vest. Also included is a cash payment of $1,060,000 which was made to Chris Lynch in lieu of an LTI earned but not received for a six month period during his tenure in line with his contractual entitlement to receive an LTI award for every day employed by the Group. This payment was made in cash in August 2012.

H SERVICE AGREEMENTS

The remuneration and other terms of employment for the CEO and other Senior Executives are formalised in service agreements which have no specified term. Under these agreements, the CEO and other Senior Executives are eligible to participate in STI and LTI plans. Some other key aspects of the agreements in place for the year ended 30 June 2013 are outlined below:

	Period of notice to terminate (Executive)	Period of notice to terminate (the Group*)
CEO	6 months	12 months
Other Senior Executives	3 months	6 months

** Payment in lieu of the notice period may be provided (based on the executive's fixed remuneration). The Group may also terminate at any time without notice for serious misconduct.*

I ADDITIONAL REMUNERATION INFORMATION

Employee Security Plans

The Group has three broad employee based security plans.

ShareLink Incentive Plan
Under the ShareLink Incentive Plan, subject to Board approval, an allocation of Transurban securities or cash payments may be made to eligible employees (excluding the CEO and other Senior Executives) in recognition of the Group's prior year performance. Eligible employees received a grant of 100 securities at no cost to them on 27 February 2013. Due to legal restrictions on the issue of securities to USA residents, eligible employees in the USA received a cash payment of equivalent value in lieu of securities.

Given that the plan is designed to reward employees for the Group's prior year performance and is not intended to serve as a future incentive, there are no performance measures attached to grants of securities or cash payments under the plan.

Securities granted under the plan carry a three year holding lock from the grant date and can only be traded once the holding lock expires or when employment with the Group ceases, which ever is earlier.

ShareLink Investment Tax Exempt Plan and ShareLink Investment Tax Deferred Plan
The ShareLink Investment Tax Exempt Plan provides eligible employees (excluding the CEO and other Senior Executives) the opportunity to invest up to $1,000 per year in Transurban securities on a tax exempt basis. Participants contribute up to $500 by way of salary sacrifice which is matched by the Group dollar for dollar. Security acquisitions are made quarterly in September, December, March and June each year.

The ShareLink Investment Tax Deferred Plan provides eligible employees (excluding the CEO and other Senior Executives) with the opportunity to contribute up to $5,000 per year by way of salary sacrifice to be invested in Transurban securities. The Group matches participants' contributions dollar for dollar up to $3,000. The plan has a disposal restriction period of three years from the date of acquisition, including a 12 month forfeiture period.

Grants under both of these plans are designed to encourage employee security holdings and to align the interests of employees with those of the Group and are therefore not subject to performance measures.

Remuneration report (continued)

Dealing in Securities

In accordance with the Group's Dealing in Securities Policy, employees who have awards under a Group equity plan may not hedge against those awards. In addition, KMP may not hedge against entitlements that have vested but remain subject to a holding lock. Employees and Directors are not permitted to obtain margin loans using Transurban securities (either solely or as part of a portfolio) as security for loans.

Securities held by Senior Executives as at 30 June 2013

The number of securities held by members of KMP as at 30 June 2013 is provided below. Comparative data is shown for those Senior Executives who were members of KMP during both the years ended 30 June 2013 and 30 June 2012.

	Balance at start of year	Changes during year	Balance at end of year
Current Senior Executives			
S Charlton			
2013	-	10,000	10,000
J Aument			
2013	-	-	-
W Ballantine			
2013	2,889[1]	1,099	3,988
A Head			
2013	3,041	-	3,041
2012	21,112	(18,071)	3,041
S Hogg			
2013	1,553	10,000	11,553
2012	15,616	(14,063)	1,553
S Johnson			
2013	19,129[1]	10,467	29,596
T Steinhilber			
2013	-	-	-
L Tobin			
2013	-	-	-
V Vassallo			
2013	10,018[1]	520	10,538
Transitioning Senior Executive			
M Kulper			
2013	80,000	-	80,000
2012	103,944	(23,944)	80,000
Former Senior Executives			
C Lynch			
2013	713,563	(713,563)[2]	-
2012	255,401	458,162	713,563
K Daley			
2013	384,678	(384,678)[2]	-
2012	384,678	-	384,678
E Mildwater			
2013	56,066	(56,066)[2]	-
2012	27,098	28,968	56,066

1 Opening balance held prior to the Senior Executive becoming a member of KMP.
2 Balance removed on departure from the Group during FY2013.

Remuneration report (continued)

Securities held by Non-executive Directors as at 30 June 2013

	Balance at start of year	Changes during year	Balance at end of year
Current Non-executive Directors			
L Maxsted			
2013	30,000	-	30,000
2012	30,000	-	30,000
N Chatfield			
2013	30,910	-	30,910
2012	20,910	10,000	30,910
R Edgar			
2013	23,733	857	24,590
2012	18,627	5,106	23,733
S Mostyn			
2013	10,300	3,700	14,000
2012	-	10,300	10,300
C O'Reilly			
2013	-	4,363	4,363
2012	-	-	-
R Slater			
2013	-	-	-
2012	-	-	-
I Smith			
2013	70,000	1,772	71,772
2012	-	70,000	70,000
Former Non-executive Directors			
G Cosgriff			
2013	-	-	-
2012	152,236	(152,236)[1]	-
J Davis			
2013	-	-	-
2012	384,678	(384,678)[1]	-
R Officer			
2013	20,115	(20,115)[1]	-
2012	19,089	1,026	20,115

1 Balance removed on resignation as a Director during the relevant year.

Remuneration report (continued)

5 LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The variable (or 'at risk') remuneration of the CEO and other Senior Executives is linked to the Group’s performance through the use of measures based on the operating performance of the business.

A GROUP PERFORMANCE AND STI

For the year ended 30 June 2013, 20 per cent of the STI award was determined with reference to proportional EBITDA, 20 per cent with reference to proportional net costs, and 10 per cent with reference to safety, as discussed on page 27.

Proportional EBITDA
The proportional EBITDA result for the year ended 30 June 2013 was $828.0 million. Excluding the effect of Capital Beltway Express and the CEO transition cost, this resulted in the payment of 50 per cent of STIs attributable to proportional EBITDA. The proportional EBITDA result was driven by the Group's continued focus on cost control and the performance of the asset portfolio. This result was delivered despite significant disruption caused by construction on Sydney’s Hills M2 Motorway.

Proportional net costs
The proportional net costs result for the year ended 30 June 2013 was $163.4 million, a 2.2 per cent increase from the prior year result. Excluding the effect of Capital Beltway Express, proportional net costs decreased by 4.3 per cent from the prior year which resulted in the payment of 150 per cent of STIs attributable to proportional net costs.

Safety
For the year ended 30 June 2013, the safety performance measure resulted in a 100 per cent STI outcome. The safety target included several components as outlined on page 27. In Australia the lead and lag safety targets were achieved and over 75 per cent of the action items listed in the safety development action plans were completed and there was a reduction in the Recordable Injury Frequency Rate. In the USA the lead and lag safety targets were also achieved. All items in their safety management system plan were completed and there were no Recordable Case Incidences for employees and construction contractors. These results reflected substantial work focused on safety in the year ended 30 June 2013.

B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2013, LTIs were linked to relative TSR and FCF per security.

Relative TSR
Relative TSR for the year ended 30 June 2013 is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150.

FCF per security
The performance target for performance awards granted during the year ended 30 June 2013 was a range for compound growth in FCF per security of between 6 per cent and 9 per cent over three years. It was considered an appropriate target that reflects the Group’s focus on the maximisation of free cash to drive security holder return. For performance awards granted during the year ending 30 June 2014, the performance target range for compound growth in FCF per security is between 12 per cent and 15 per cent.

The table below summarises the Group’s five year results for the relevant performance measures. These results show that since the year ended 30 June 2009, Transurban’s distribution policy has been to align distributions with FCF per security. Since that time, Transurban has delivered consistent growth on this measure based on consistent revenue and EBITDA growth. Based on investor feedback, this remains Transurban’s financial focus.

Remuneration report (continued)

Group Performance[1]

Measure	2013	2012	2011	2010	2009
Security price at year end	$6.76	$5.69	$5.23	$4.24	$4.18
Distribution paid per security	31.0c	29.5c	27.0c	24.0c	22.0c
Underlying proportional EBITDA - $m[1]	828.0	784.0	718.7	635.4	583.3
TSR performance[2]	25%	15%	32%	10%	2%
FCF per security performance - weighted average	30.1c	29.8c	27.5c	27.4c	22.2c

1 In the current and prior year, LTIs were linked to relative TSR and FCF per security. In earlier years, LTIs were linked to relative TSR and proportional EBITDA.
2 The TSR performance is the total security holder return for that financial year.

Remuneration report (continued)

6 NON-EXECUTIVE DIRECTOR REMUNERATION

A REMUNERATION POLICY

The diagram below sets out the key objectives of the Group's Non-executive Director remuneration policy and how they are implemented through the Group's remuneration framework:

Securing and retaining talented, qualified Directors	Preserving independence and impartiality	Aligning Director and security holder interests
↓	↓	↓
Director fee levels are set with regards to: the responsibilities and risks attached to the role, the time commitment expected and the workload, experience and expertise, and market benchmark data provided by remuneration consultants.	Director remuneration consists of base (Director) fees and Committee fees. No element of Director remuneration is 'at risk' (i.e. fees are not based on the performance of the Group or individual Directors from year to year).	Directors are encouraged to hold Transurban securities.

B REMUNERATION ARRANGEMENTS

Maximum aggregate remuneration
The amount of aggregate remuneration that may be paid to Non-executive Directors in any year is capped at a level approved by security holders. The current aggregate fee pool of $2,400,000 per year (inclusive of superannuation contributions) was approved by security holders at the 2010 Annual General Meeting. No change to this amount is proposed for the year ending 30 June 2014.

The aggregate fee pool and the manner in which it is apportioned amongst Non-executive Directors is reviewed annually. The Remuneration and Human Resources Committee undertakes this review and makes recommendations to the Board. In conducting the review, the Committee considers market benchmark data from independent remuneration consultants.

Non-executive Director fees for the year ended 30 June 2013
A review of Non-executive Director fees was undertaken during the year ended 30 June 2013, and it was decided that there would be no change to fees other than an increase in the annual fee for the Chair of the Remuneration and Human Resources Committee by $5,000 to $30,000.

Base (Director) fees have not increased since 2010. Current base fees and Committee fees per year are set out below:

	Chair fee $	Member fee $
Board	455,000	170,000
Audit and Risk Committee	40,000	20,000
Nomination Committee	10,000	10,000
Remuneration and Human Resources Committee	30,000	20,000

The Chair of the Board does not receive any additional fees for Committee responsibilities. The Chair of each Committee only receives the Chair fee (and not a member fee).

Non-executive Directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during the year ended 30 June 2013. Non-executive Directors are also entitled to be reimbursed for all business related expenses, including travel, as may be incurred in the discharge of their duties.

Remuneration report (continued)

Retirement benefits

No current Non-executive Directors are entitled to any retirement benefits. In September 2005, the Board resolved to discontinue retirement benefits for Non-executive Directors from 30 September 2005. The value of benefits accrued up to that date attracted interest at the statutory fringe benefits rate.

ShareLink Investment Tax Deferred Plan

Under the ShareLink Investment Tax Deferred Plan, Non-executive Directors are able to sacrifice up to 50 per cent of their pre tax fees to acquire up to $5,000 of Transurban securities each year. No securities were issued to Non-executive Directors under the plan during the year ended 30 June 2013.

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Non-executive Director remuneration for the years ended 30 June 2013 and 30 June 2012 is set out below:

	Short-term benefits	Post-employment benefits		**Total**
	Fees	Superannuation[1]	Retirement benefits[2,3]	
Current Non-executive Directors				
L Maxsted				
2013	438,716	16,470	-	455,186
2012	439,411	15,775	-	455,186
N Chatfield				
2013	223,625	16,470	-	240,095
2012	207,631	15,775	-	223,406
R Edgar				
2013	211,119	16,470	-	227,589
2012	207,114	15,775	-	222,889
S Mostyn				
2013	183,608	16,470	-	200,078
2012	176,047	15,398	-	191,445
C O'Reilly (appointed 12 April 2012)				
2013	181,229	16,247	-	197,476
2012	34,225	3,080	-	37,305
R Slater				
2013	194,070	-	-	194,070
2012	173,720	-		173,720
I Smith (appointed 1 January 2012)				
2013	155,967	14,037	-	170,004
2012	77,983	7,018	-	85,001
Former Non-executive Directors				
G Cosgriff (resigned 6 December 2011)				
2013	-	-	-	-
2012	81,778	7,044	251,028	339,850
J Davis (resigned 6 December 2011)				
2013	-	-	-	-
2012	69,903	25,648	418,186	513,737
R Officer (resigned 7 August 2012)				
2013	18,832	1,695	-	20,527
2012	176,047	15,398	-	191,445
J Eve (resigned 5 January 2012)				
2013	-	-	-	-
2012	48,256	-	-	48,256
J Keyes (resigned 5 January 2012)				
2013	-	-	-	-
2012	25,793	-	-	25,793
Total				
2013	1,607,166	97,859	-	1,705,025
2012	1,717,908	120,911	669,214	2,508,033[3]

1 Superannuation contributions made on behalf of Non-executive Directors to satisfy the Group's obligations under applicable superannuation guarantee legislation.
2 Amounts represent accrued contractual retirement benefits paid in the year ended 30 June 2012 to two former Non-executive Directors (Geoff Cosgriff and Jeremy Davis) upon their retirement from the Board on 6 December 2011. No current Non-executive Directors are entitled to any retirement benefits.
3 Retirement benefits are excluded from the amount of aggregate remuneration that may be paid to Non-executive Directors in any year.

Remuneration report (continued)

D NON-EXECUTIVE DIRECTOR RELATED PARTY INFORMATION

Rodney Slater is a partner in the public policy practice group of Patton Boggs. Transurban used Patton Boggs during the year ended 30 June 2013 for various lobbying activities in the USA. This relationship is based on normal commercial terms. US$226,692 was paid to Patton Boggs during the year ended 30 June 2013.

Lindsay Maxsted is Chairman and a Non-executive Director of Westpac Banking Corporation. Westpac provides transactional banking and loan facilities to Transurban. This relationship is based on normal commercial terms.

Neil Chatfield is Chairman and a Non-executive Director of Seek Limited. Seek provides employment advisory services to Transurban. This relationship is based on normal commercial terms.

Neil Chatfield is also Chairman of, and Samantha Mostyn is a Non-executive Director of, Virgin Australia Holdings Limited. Transurban uses air travel services provided by Virgin Australia. This relationship is based on normal commercial terms.

Non-audit services

The Company has an "External Auditor Independence" policy which is intended to support the independence of the external auditor by regulating the provision of services by the external auditor. The external auditor will not be engaged to perform any service that may impair or be perceived to impair the external auditor's judgement or independence. The external auditor will only provide a permissible non-audit service where there is a compelling reason for it to do so, and the aim is for the external auditor not to provide non-audit services at all. All non-audit services must be pre-approved by the CFO (services less than $5,000) or the Chair of the Audit and Risk Committee (in all other cases).

The Board has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- the Audit and Risk Committee reviews the non-audit services to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* including reviewing or auditing the auditor’s own work, acting in a management or a decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for audit and non-audit services provided by the auditor of THL, its related practices and non-related audit firms:

	2013 **$**	2012 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and other assurance services:		
Audit and review of financial reports	**1,100,000**	1,100,000
Other assurance services	**124,800**	189,300
Total remuneration for PricewaterhouseCoopers	**1,224,800**	1,289,300
Total auditors' remuneration	**1,224,800**	1,289,300

Indemnification and insurance

Each officer (including each Director) of the Group is indemnified, to the maximum extent permitted by law, against any liabilities incurred as an officer of the Group pursuant to agreements with the Group. Each officer is also indemnified against reasonable costs (whether legal or otherwise) incurred in relation to relevant proceedings in which the officer is involved because the officer is or was an officer.

The Group has arranged to pay a premium for a Directors and officers liability insurance policy to indemnify Directors and officers in accordance with the terms and conditions of the policy.

This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the insurer, the limit of liability and the premium paid for this policy.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 48.

Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
1 August 2013

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holdings Limited and Transurban Holdings Limited Group for the year ended 30 June 2013, 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.

This declaration is in respect of Transurban Holdings Limited and the Transurban Holdings Limited Group (the Group). The Group comprises the aggregation of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited and the entities they controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
1 August 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, Southbank, GPO Box 1331L, MELBOURNE VIC 3001
DX 77 Melbourne, Australia
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

Transurban Holdings Limited ABN 86 098 143 429
Annual report - 30 June 2013

Contents

This financial report covers the Transurban Group which consists of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited and their controlled entities as described in Note 1 to the Financial Statements. The financial report is presented in the Australian currency.

The equity securities of the parent entities are stapled and cannot be traded separately. Entities within the Group are domiciled and incorporated in Australia and the United States of America. Transurban Holdings Limited's registered office and principal place of business is:

Level 3
505 Little Collins Street
Melbourne VIC 3000

The financial report was authorised for issue by the Directors on 1 August 2013. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally. All releases to the ASX and the media, financial reports and other information are available on our website: www.transurban.com

Transurban Holdings Limited
Consolidated income statement
For the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Revenue			
Toll, fee and other road revenue		**886,639**	846,196
Construction revenue		**265,799**	286,258
Management, business development and other revenue		**42,640**	22,030
	3	**1,195,078**	1,154,484
Road operating costs		**(197,519)**	(186,134)
Corporate costs		**(41,192)**	(31,602)
Business development costs		**(23,779)**	(19,591)
Construction costs		**(256,390)**	(280,222)
		(518,880)	(517,549)
Profit before depreciation and amortisation, net finance costs, equity accounted investments and income taxes		**676,198**	636,935
Depreciation and amortisation expense	4	**(312,118)**	(301,641)
Finance income		**108,031**	157,030
Finance costs		**(344,999)**	(367,024)
Net finance costs	5	**(236,968)**	(209,994)
Share of net losses of equity accounted investments	9	**(9,738)**	(137,946)
Profit / (loss) before income tax		**117,374**	(12,646)
Income tax benefit	6	**57,167**	71,204
Profit for the year		**174,541**	58,558
Profit is attributable to:			
Ordinary equity holders of the stapled group		**171,706**	54,905
Non-controlling interests		**2,835**	3,653
		174,541	58,558
		Cents	Cents
Earnings per security attributable to ordinary equity holders of the stapled group:			
Basic earnings per stapled security	32	**11.7**	3.8
Diluted earnings per stapled security	32	**11.7**	3.8

The above consolidated income statement should be read in conjunction with the accompanying notes.

	2013 $'000	2012 $'000
Profit for the year	**174,541**	58,558
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	**64,013**	(210,773)
Exchange differences on translation of foreign operations, net of tax	**(23,066)**	12,980
Other comprehensive income for the year, net of tax	**40,947**	(197,793)
Total comprehensive income for the year	**215,488**	(139,235)
Total comprehensive income for the year is attributable to:		
Members of Transurban Holdings Limited	**256,184**	119,618
Non-controlling interests	**(40,696)**	(258,853)
	215,488	(139,235)

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

	Notes	**2013 $'000**	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**259,385**	318,148
Trade and other receivables	8	**88,548**	78,420
Derivative financial instruments	11	**963**	-
Total current assets		**348,896**	396,568
Non-current assets			
Equity accounted investments	9	**532,266**	335,190
Held to maturity investments	10	**862,866**	791,392
Derivative financial instruments	11	**9,935**	137
Property, plant and equipment	12	**180,166**	191,964
Deferred tax assets	13	**9,147**	12,551
Intangible assets	14	**8,128,350**	8,174,115
Total non-current assets		**9,722,730**	9,505,349
Total assets		**10,071,626**	9,901,917
LIABILITIES			
Current liabilities			
Trade and other payables	15	**105,595**	110,103
Borrowings	16	**438,256**	-
Derivative financial instruments	11	**7,037**	1,315
Current tax liabilities		**-**	8,510
Provisions	17	**334,413**	293,485
Other liabilities	18	**71,873**	73,251
Total current liabilities		**957,174**	486,664
Non-current liabilities			
Borrowings	16	**4,499,235**	4,489,397
Deferred tax liabilities	13	**629,648**	687,287
Provisions	17	**202,363**	193,755
Derivative financial instruments	11	**357,872**	504,016
Other liabilities	18	**60,358**	53,673
Total non-current liabilities		**5,749,476**	5,928,128
Total liabilities		**6,706,650**	6,414,792
Net assets		**3,364,976**	3,487,125
EQUITY			
Contributed equity	19	**7,975,953**	7,847,912
Reserves	20	**(104,137)**	(138,340)
(Accumulated losses)	20	**(4,469,457)**	(4,232,045)
Non-controlling interest - Transurban International Limited		**(183,559)**	(148,505)
Non-controlling interests		**146,176**	158,103
Total equity		**3,364,976**	3,487,125

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

		Attributable to members of Transurban Holdings Limited					
	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2011		**7,772,117**	**26,461**	**(4,085,426)**	**3,713,152**	**279,199**	**3,992,351**
Comprehensive income							
Profit (loss) for the year		-	-	282,431	282,431	(223,873)	58,558
Other comprehensive income		-	(162,813)	-	(162,813)	(34,980)	(197,793)
Total comprehensive income		**-**	**(162,813)**	**282,431**	**119,618**	**(258,853)**	**(139,235)**
Transactions with owners in their capacity as owners:							
Treasury securities	19	1,433	-	-	1,433	207	1,640
Distribution reinvestment plan	19	72,961	-	-	72,961	3,040	76,001
Distributions provided for or paid	20	-	-	(429,203)	(429,203)	-	(429,203)
Distributions to non-controlling interest		-	-	-	-	(13,610)	(13,610)
Changes in value of share-based payment reserve	20	1,401	(1,988)	153	(434)	(385)	(819)
		75,795	(1,988)	(429,050)	(355,243)	(10,748)	(365,991)
Balance at 30 June 2012		**7,847,912**	**(138,340)**	**(4,232,045)**	**3,477,527**	**9,598**	**3,487,125**
Balance at 1 July 2012		**7,847,912**	**(138,340)**	**(4,232,045)**	**3,477,527**	**9,598**	**3,487,125**
Comprehensive income							
Profit (loss) for the year		-	-	218,904	218,904	(44,363)	174,541
Other comprehensive income		-	37,280	-	37,280	3,667	40,947
Total comprehensive income		**-**	**37,280**	**218,904**	**256,184**	**(40,696)**	**215,488**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	19	92,000	-	-	92,000	8,000	100,000
Distribution reinvestment plan	19	31,966	-	-	31,966	2,601	34,567
Deferred short term incentives issued	19	2,589	-	-	2,589	195	2,784
Distributions provided for or paid	20	-	-	(456,316)	(456,316)	-	(456,316)
Changes in value of share-based payment reserve	20	1,486	(2,086)	-	(600)	(82)	(682)
Acquisition of non-controlling interest		-	(991)	-	(991)	(2,241)	(3,232)
Distributions to non-controlling interest		-	-	-	-	(14,758)	(14,758)
		128,041	(3,077)	(456,316)	(331,352)	(6,285)	(337,637)
Balance at 30 June 2013		**7,975,953**	**(104,137)**	**(4,469,457)**	**3,402,359**	**(37,383)**	**3,364,976**

Non-controlling interests include Transurban International Limited and other non-controlling interests outside of the Group.

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

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**976,063**	945,544
Payments to suppliers and employees (inclusive of GST)		**(353,210)**	(340,656)
Payments for maintenance of intangible assets		**(9,573)**	(27,731)
Other revenue		**66,752**	34,078
Interest received		**57,579**	229,786
Interest paid		**(314,110)**	(421,841)
Income taxes paid		**(12,166)**	(45,937)
Net cash inflow from operating activities	31	**411,335**	373,243
Cash flows from investing activities			
Payment for acquisition of non-controlling interest		**(3,232)**	-
Payments for held-to-maturity investments, net of fees		**(22,495)**	(6,975)
Payments for equity accounted investments		**(207,844)**	(18,271)
Payments for intangible assets		**(234,536)**	(262,306)
Payments for property, plant and equipment		**(17,486)**	(41,832)
Distributions received from equity accounted investments		**50,000**	53,500
Net cash (outflow) from investing activities		**(435,593)**	(275,884)
Cash flows from financing activities			
Proceeds from issues of stapled securities	19	**100,000**	-
Proceeds from borrowings (net of costs)		**596,841**	1,606,050
Repayment of borrowings		**(312,000)**	(1,445,870)
Dividends and distributions paid to the Group's security holders	21	**(410,848)**	(336,549)
Distributions paid to non-controlling interests		**(9,860)**	(14,891)
Net cash (outflow) inflow from financing activities		**(35,867)**	(191,260)
Net (decrease) in cash and cash equivalents		**(60,125)**	(93,901)
Cash and cash equivalents at the beginning of the year		**318,148**	411,880
Effects of exchange rate changes on cash and cash equivalents		**1,362**	169
Cash and cash equivalents at end of the year	7	**259,385**	318,148

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The Transurban Group financial statements have been prepared as an aggregation of the financial statements of Transurban Holdings Limited (THL) and controlled entities, Transurban International Limited (TIL) and controlled entities and Transurban Holding Trust (THT) and controlled entities, as if all entities operate together. They are therefore treated as a combined entity (hereon referred to as "the Group"), notwithstanding that none of the entities controls any of the others. The principles of consolidation have been applied in order to present the aggregated financial statements on a combined basis. THL has been deemed the parent of the Group.

The financial statements have been aggregated in recognition of the fact that the securities issued by THL, THT and TIL are stapled together and comprise one share in THL, one unit in THT and one share in TIL (Stapled Security). None of the components of the Stapled Security can be traded separately.

The Group's current liabilities exceed its current assets by $608.3 million as at 30 June 2013. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal operations, as the Group is trading profitably and has continually been able to refinance maturing debt. In addition, at 30 June 2013 the Group has available a total of $217.9 million of undrawn borrowing facilities.

Compliance with IFRS
The consolidated financial statements of Transurban Holdings Limited also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Early adoption of standards
The Group has not elected to adopt any new accounting standard early.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities (including derivative financial instruments).

Rounding of amounts
The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(b) Principles of consolidation

Subsidiaries
Subsidiaries are all 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.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries (continued)
The aggregated financial statements incorporate an elimination of inter-entity transactions and balances and other adjustments necessary to present the financial statements on a combined basis. The accounting policies adopted in preparing the financial statements have been consistently applied by the individual entities comprising the Group except as otherwise indicated.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity respectively.

Associates and joint ventures
Associates are all entities over which the Group has significant influence but not control. Interests in joint ventures are where the Group jointly controls an entity with another party (refer to note 9).

Investments in associates and joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses. Dividends received from associates and joint ventures reduce the carrying amount of the investment.

Application of UIG 1013 Pre-date of Transition Stapling Arrangements and AASB Interpretation 1002 Post-date of Transition Stapling Arrangements
For the purpose of UIG 1013 and AASB Interpretation 1002, THL was identified as the parent entity in relation to the pre-date of transition stapling with THT and the post-date of transition stapling with TIL. In accordance with UIG 1013 the results and equity of THL and THT have been combined in the financial statements. AASB Interpretation 1002 however requires the results and equity of TIL to be treated and disclosed as non-controlling interest.

Changes in ownership interest
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer (the chief operating decision maker) and the Executive Committee, who report to the Chief Executive Officer (CEO).

(d) Foreign currency translation

Functional and presentation currency
The consolidated financial statements are presented in Australian dollars, which is Transurban Holdings Limited's functional and presentation currency.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in the fair value reserve in equity.

Foreign operations
The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised for the major business activities as follows:

- Toll and fee revenue - Toll charges and related fees are recognised when the charge is incurred by the user.
- Business development revenue - Business development revenue is recognised when earned, and to the extent of costs incurred and that these costs will be recovered.
- Interest income - Interest income is recognised using the effective interest rate method.
- Construction revenue - During the construction phase of service concession infrastructure assets, the Group records an intangible asset representing the right to charge users of the infrastructure and recognises revenue from the construction of the infrastructure. Revenue and expenses associated with construction contracts are recognised in accordance with the percentage of completion method.

(f) Income tax

The income tax expense or benefit for the period is the tax payable or benefit on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as tax losses.

Tax consolidation legislation
The Transurban Group has adopted the tax consolidation legislation for Transurban Holdings Limited and its wholly-owned Australian entities as of 1 July 2005.

All entities within the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation group is a separate taxpayer within the tax consolidated group.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Lease incentives are recognised as a reduction of the rental expense over the lease term on a straight line basis.

1 Summary of significant accounting policies (continued)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in income statement as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

(i) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount through the income statement. The decrement in the carrying amount is recognised as an expense in the income statement in the reporting period in which the impairment occurs.

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(k) Investments and other financial assets

Classification

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments and other financial assets were acquired. The classification of the Group's investments and other financial assets are determined at initial recognition and, in the case of assets classified as held-to-maturity, is re-evaluated at the end of each reporting period.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) in the consolidated balance sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are due for settlement no more than 30 days from revenue recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An impairment allowance account (provision for impairment of trade receivables) is used 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 impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows. The amount of the impairment allowance is recognised in the income statement.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and derecognition

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statements. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statements within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statements as part of revenue from continuing operations when the Group's right to receive payments is established.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is reclassified from equity and recognised in the income statement as a reclassification adjustment. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(l) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 11. Movements in the hedging reserve in shareholders' equity are shown in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The treatment of derivatives is as follows:

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps and cross currency swaps hedging fixed rate borrowings is recognised in the income statements within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement.

1 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

Fair value hedges (continued)
If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statements. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs incurred on development projects (including computer software and hardware) are recognised as an asset when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be reliably measured. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statements during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

Depreciation
Depreciation is calculated on a straight line basis so as to write off the net cost of items of plant and equipment over their expected useful lives. Estimates of remaining useful lives will be made annually for all assets. The expected useful lives are 3 - 15 years.

Impairment
Fixed assets are assessed for impairment in line with the policy stated in note 1(i).

(n) Intangible assets

Concession Assets
Concession Assets represent the Group's rights to operate roads under Service Concession Arrangements. Concession Assets constructed by the Group are recorded at the fair value of consideration received or receivable for the construction services delivered. Concession Assets acquired by the Group are recorded at the fair value of the assets at the date of acquisition. All Concession Assets are classified as intangible assets and are amortised over the term of the right to operate the asset on a straight line basis. For details of concession agreement dates refer to note 14.

Where work is in progress, it is classified as assets under construction.

Goodwill
Goodwill is measured as described in note 1(h). Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the relevant cash-generating units for the purpose of impairment testing.

(o) Financial liabilities

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Concession and promissory notes
The Group has non-interest bearing long term debt, represented by Concession and Promissory Notes, payable to the government, measured at the net present value of expected future payments.

(p) Borrowings

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 consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as finance income or finance costs.

1 Summary of significant accounting policies (continued)

(p) Borrowings (continued)

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 reporting period.

(q) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent to which they relate to the construction of qualifying assets in which case specifically identifiable borrowing costs are capitalised into the cost of the asset. Borrowing costs include interest on short-term and long-term borrowings.

Costs incurred in connection with the arrangement of borrowings are deferred and amortised over the effective period of the funding.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are discounted to the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the discount unwinding over the passage of time is recognised as a finance cost.

Provision for maintenance
As part of its obligations under the service concession arrangements, the Group assumes responsibility for the maintenance and repair of installations of the publicly-owned roads it operates. A provision for maintenance has been raised where the Group has a present legal or constructive obligation to maintain and replace components of the underlying physical assets operated by the Group as a result of past events. The Group's obligations under the respective concession deeds arise as a consequence of use of the road during the operating phase. The provision is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions giving rise to a cash outflow after more than one year are discounted to present value if the impact is material. The increase in the provision due to the discount unwinding over the passage of time is recognised as a finance cost.

Provision for distribution
Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(s) Employee benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and short-term incentives, and long service leave expected to be settled within 12 months after the end of the period, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and short-term incentives, and long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables. An expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

Long-term employee benefit obligations
The liability for long service leave which is not expected to be settled within 12 months after the end of the period is recognised in the provision for employee benefits. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity-based compensation benefits
Equity-based compensation benefits have been provided to some employees.

The fair value of units granted under the plans are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the units.

The fair value of units granted under cash settled share-based compensation plans is recognised as an expense over the vesting period with a corresponding increase in liabilities. The fair value of the liability is remeasured at each reporting date with any changes in fair value recognised in the income statement for the period.

The fair value is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term, the impact of dilution, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the plan.

The fair value granted is adjusted to reflect the market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in assumptions about the number of units that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of units that are expected become exercisable. The employee benefit expense recognised each reporting period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Superannuation
Superannuation is contributed to plans as nominated by the employee. The contribution is not less than the statutory minimum. The superannuation plans are all accumulation funds.

The cost of current and deferred employee compensation and contributions to employee superannuation plans were charged to the income statement.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(t) Contributed equity

Stapled securities are classified as equity.

Incremental costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds.

1 Summary of significant accounting policies (continued)

(t) Contributed equity (continued)

If the Group reacquires its own securities, those securities are deducted from equity. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(u) Parent entity financial information

The financial information for the parent entity, Transurban Holdings Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are accounted for at cost in the financial statements of Transurban Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation
Transurban Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation effective 1 July 2005.

The head entity, Transurban Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group is a separate taxpayer within the tax consolidated group.

In addition to its own current and deferred tax amounts, Transurban Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. Management are in the process of assessing the impact on financial assets but do not believe this will be significant.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and *AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 112 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Management have assessed the impact of AASB10 and do not believe it changes our assessment of control over any entities where the Group has an equity interest.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. This will not impact how the Group currently accounts for joint arrangements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date.

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Current measurement techniques will change as a result of new guidance. The impact of the new rules on any of the amounts recognised in the financial statements is not expected to be material. Application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group intends to adopt the new standard from 1 July 2013.

(iv) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

(v) IAS 36 *Amendments to IAS 36 Impairment of Assets* (effective 1 January 2014)

The IASB has made small changes to some of the disclosures that are required under IAS 36 Impairment of Assets. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 July 2014.

2 Segment information

Description of segments

It has been determined that the operating segments based on information provided to the CEO and Executive Committee is by geographical region, being Victoria and New South Wales in Australia and the USA.

The Group operates in one business sector only, being the development, operation and maintenance of toll roads. The CEO and Executive Committee therefore consider the business from the perspective of locations.

The following assets are included in the operating segments:

Segment	Assets
Victoria, Australia	CityLink
New South Wales, Australia	Hills M2 Motorway
	Lane Cove Tunnel
	75.1 per cent interest in the M1 Eastern Distributor
	Equity investments in the M5 Motorway (50.0 per cent) and Westlink M7 (50.0 per cent)
USA	75.0 per cent interest in Transurban DRIVe. Transurban DRIVe holds 100.0 per cent of Pocahontas 895, 90.0 per cent of 495 Express Lanes and 90.0 per cent of 95 Express Lanes

The tolling businesses of Roam and Tollaust have also been included in the NSW operating segment as they are managed together with each of the assets and contribute tolling services to all NSW assets.

The Group's corporate function is not an operating segment under the requirements of AASB 8 as its revenue generating activities are only incidental to the business. Management have aggregated and disclosed the corporate business units as the contribution to the business is closely monitored.

The operating segments have been further broken down by asset to assist with external analysis of the financial statements.

Segment information - Proportional Income Statement

The CEO and Executive Committee assesses the performance of the operating segments based on a measure of underlying proportional EBITDA. EBITDA excludes the impact of interest income and expense which have been presented by segment where applicable. Interest income and expense are allocated across segments where the charges are related specifically to the assets. Otherwise they have been allocated to the Corporate function.

The segment information provided to the Executive Committee is presented on a proportional basis. The information for the reportable segments for the year ended 30 June 2013 and 30 June 2012 is detailed in the following tables.

2 Segment information (continued)

Segment information - Proportional Income Statement (continued)

30 June 2013 $'000	**Victoria** **CityLink** **100.0%**	**New South Wales** Hills M2 100.0%	Lane Cove Tunnel 100.0%	M1 Eastern Distributor 75.1%	M5 50.0%	M7 50.0%	Roam & Tollaust 100.0%	**Total NSW**	**USA** Pocahontas 895 75.0%	495 Express Lanes 67.5%	95 Express Lanes 67.5%	Other Transurban DRIVe 75.0%	**Total Transurban DRIVe**	**Corporate** **100.0%**	**Total**
Toll revenue	**495,786**	143,322	61,533	75,498	94,402	104,694	-	**479,449**	11,301	4,841	-	-	**16,142**	**-**	**991,377**
Fee and other revenue	**46,424**	4,975	1,981	457	6,418	1,854	25,743	**41,428**	81	1,291	-	-	**1,372**	**44,889**	**134,113**
Total revenue	**542,210**	148,297	63,514	75,955	100,820	106,548	25,743	**520,877**	11,382	6,132	-	-	**17,514**	**44,889**	**1,125,490**
Proportional EBITDA	**441,493**	117,368	36,849	53,731	87,828	84,775	10,982	**391,533**	6,836	(5,441)	-	(4,384)	**(2,989)**	**(2,040)**	**827,997**
Interest revenue	**5,029**	1,392	992	415	539	1,866	483	**5,687**	-	702	25	10	**737**	**99,582**	**111,035**
Interest expense	**(62,281)**	(37,474)	(20,693)	(32,764)	(15,125)	(146,142)	(3)	**(252,201)**	(14,229)	(27,442)	-	(1,985)	**(43,656)**	**(180,922)**	**(539,060)**
Depreciation and amortisation	**(147,478)**	(64,279)	(24,569)	(39,015)	(33,672)	(33,921)	(1,107)	**(196,563)**	(3,470)	(8,331)	-	-	**(11,801)**	**(22,734)**	**(378,576)**
Proportional profit (loss) before tax	**236,763**	17,007	(7,421)	(17,633)	39,570	(93,422)	10,355	**(51,544)**	(10,863)	(40,512)	25	(6,359)	**(57,709)**	**(106,114)**	**21,396**
Income tax benefit (expense)	**(31,808)**	24,786	(1,424)	17,713	(21,121)	12,711	(3,107)	**29,558**	7,993	-	-	21,529	**29,522**	**45,135**	**72,407**
Proportional net profit (loss)	**204,955**	41,793	(8,845)	80	18,449	(80,711)	7,248	**(21,986)**	(2,870)	(40,512)	25	15,170	**(28,187)**	**(60,979)**	**93,803**

2 Segment information (continued)

Segment information - Proportional Income Statement (continued)

30 June 2012	**Victoria**	**New South Wales**							**USA**				**Corporate**	**Total**
$'000	**CityLink 100.0%**	Hills M2 100.0%	Lane Cove Tunnel 100.0%	M1 Eastern Distributor 75.1%	M5 50.0%	M7 50.0%	Roam & Tollaust 100.0%	**Total NSW**	Pocahontas 895 75.0%	495 Express Lanes 67.5%	Other Transurban DRIVe 75.0%	**Total Transurban DRIVe**	**100.0%**	
Toll revenue	**471,618**	141,171	59,966	69,599	90,532	100,237	-	**461,505**	10,750	-	-	**10,750**	**-**	**943,873**
Fee and other revenue	**44,803**	3,315	1,641	157	5,802	1,311	23,524	**35,750**	105	-	-	**105**	**22,649**	**103,307**
Total revenue	**516,421**	144,486	61,607	69,756	96,334	101,548	23,524	**497,255**	10,855	-	-	**10,855**	**22,649**	**1,047,180**
Proportional EBITDA	**411,954**	113,820	35,422	49,027	82,276	78,656	9,856	**369,057**	6,981	-	(3,955)	**3,026**	**(53)**	**783,984**
Impairment of assets	**-**	-	-	-	-	-	-	**-**	(302,490)	-	-	**(302,490)**	**-**	**(302,490)**
Interest revenue	**8,231**	1,135	860	39,664	831	2,313	608	**45,411**	3	1,501	-	**1,504**	**93,325**	**148,471**
Interest expense	**(74,508)**	(35,155)	(20,321)	(48,381)	(20,438)	(138,203)	(6)	**(262,504)**	(34,887)	-	-	**(34,887)**	**(172,582)**	**(544,481)**
Depreciation and amortisation	**(144,809)**	(64,267)	(24,559)	(38,980)	(43,265)	(33,923)	(1,247)	**(206,241)**	(8,740)	-	-	**(8,740)**	**(14,699)**	**(374,489)**
Proportional profit (loss) before tax	**200,868**	15,533	(8,598)	1,330	19,404	(91,157)	9,211	**(54,277)**	(339,133)	1,501	(3,955)	**(341,587)**	**(94,009)**	**(289,005)**
Income tax benefit (expense)	**(11,319)**	22,544	(1,216)	7,269	(14,654)	20,071	(2,764)	**31,250**	79,960	-	2,972	**82,932**	**54,312**	**157,175**
Proportional net profit (loss)	**189,549**	38,077	(9,814)	8,599	4,750	(71,086)	6,447	**(23,027)**	(259,173)	1,501	(983)	**(258,655)**	**(39,697)**	**(131,830)**

2 Segment information (continued)

Other segment information - Proportional income statement

Proportional basis of presenting results
The CEO and the Executive Committee receive information for assessing the business on an underlying proportional basis reflecting the contribution of individual assets in the proportion of Transurban's equity ownership.

The Group's proportional EBITDA result reflects business performance and permits a more appropriate and meaningful analysis of the Group's underlying performance on a comparative basis. This method of presentation differs from the statutory accounting format and has been reconciled below.

EBITDA is earnings before interest, taxation, depreciation and amortisation.

Segment revenue
Revenue from external customers is through toll and fee revenues earned on toll roads. There are no inter-segment revenues.

Segment revenue reconciles to total statutory revenue as follows:

	2013 $'000	2012 $'000
Total segment revenue (proportional)	**1,125,490**	1,047,180
Add: Revenue attributable to non-controlling interest	**25,184**	25,022
Less: Revenue of non-controlled assets	**(224,882)**	(208,737)
Construction revenue recognised in accordance with AASB-I 12 Service Concession Arrangements	**234,615**	265,535
Business development revenue (offset against business development costs for proportional result)	**30,031**	19,550
Other	**4,640**	5,934
Total revenue (note 3)	**1,195,078**	1,154,484

Interest revenue
Interest revenue is earned through bank interest revenue and held to maturity investment interest income.

Interest revenue reconciles to total statutory finance income as follows:

	2013 $'000	2012 $'000
Total segment interest revenue (proportional)	**111,035**	148,471
Add: Interest revenue attributable to non-controlling interest	**138**	13,207
Less: Interest revenue of non-controlled assets	**(3,142)**	(4,648)
Total statutory finance income (note 5)	**108,031**	157,030

2 Segment information (continued)

Other segment information - Proportional income statement (continued)

Reconciliation of proportional EBITDA to statutory profit for the year
Proportional EBITDA reconciles to statutory net profit as follows:

	2013 $'000	2012 $'000
Proportional EBITDA	**827,997**	783,984
Add: Proportional EBITDA attributable to non-controlling interest	**17,815**	16,909
Less: Proportional EBITDA of M5	**(87,828)**	(82,276)
Less: Proportional EBITDA of M7	**(84,775)**	(78,656)
Less: Proportional EBITDA of Pocahontas	**(6,836)**	(6,981)
Less: Proportional EBITDA of 495 Express Lanes	**5,441**	-
Less: Proportional EBITDA of Other Transurban DRIVe	**4,384**	3,955
Statutory profit before depreciation and amortisation, net finance costs, equity accounted investments and tax	**676,198**	636,935
Statutory net finance costs	**(236,968)**	(209,994)
Statutory depreciation and amortisation	**(312,118)**	(301,641)
Share of net losses of equity accounted investments	**(9,738)**	(137,946)
Income tax benefit	**57,167**	71,204
Profit for the year	**174,541**	58,558

2 Segment information (continued)

Segment information - Segment assets

The segment information provided to the CEO and Executive Committee in respect of assets is presented on a statutory consolidated basis. The assets are allocated based on the physical location of the asset. The information for the reportable segments for the periods ended 30 June 2013 and 30 June 2012 is as follows:

30 June 2013	**Victoria**	**New South Wales**							**USA**	**Corporate**	**Total**
	CityLink $'000	Hills M2 $'000	Lane Cove Tunnel $'000	M1 Eastern Distributor $'000	M5 $'000	M7 $'000	Roam & Tollaust $'000	**Total New South Wales $'000**	**Transurban DRIVe $'000**	**$'000**	**$'000**
Total segment assets	**3,075,728**	2,568,422	608,551	1,838,091	334,859	831,646	63,789	**6,245,358**	**228,627**	**521,913**	**10,071,626**
Total segment assets include:											
Investments in associates and joint venture partnerships	**-**	-	-	-	303,639	-	-	**303,639**	**228,627**	**-**	**532,266**
Additions to non-current assets (other than financial assets and deferred tax)	**3,996**	233,855	39	197	-	-	889	**234,980**	**44**	**12,746**	**251,766**

2 Segment information (continued)

Segment information - Segment assets (continued)

30 June 2012	Victoria	New South Wales							USA	Corporate	Total
	CityLink **$'000**	Hills M2 $'000	Lane Cove Tunnel $'000	M1 Eastern Distributor $'000	M5 $'000	M7 $'000	Roam & Tollaust $'000	**Total New South Wales** **$'000**	**Transurban DRIVe** **$'000**	**$'000**	**$'000**
Total segment assets	**3,391,936**	2,439,764	623,582	1,894,221	343,915	782,667	54,508	**6,138,657**	**-**	**371,324**	**9,901,917**
Total segment assets include:											
Investments in associates and joint venture partnerships	**-**	-	-	-	335,190	-	-	**335,190**	**-**	**-**	**335,190**
Additions to non-current assets (other than financial assets and deferred tax)	**21,919**	247,525	-	-	-	-	879	**248,404**	**-**	**31,828**	**302,151**

3 Revenue

	Notes	2013 $'000	2012 $'000
Toll revenue	3(a)	**801,172**	765,431
Fee revenue	3(a)	**66,803**	61,782
Other road revenue	3(b)	**18,664**	18,983
Total toll, fee and other road revenue		**886,639**	846,196
Construction revenue	3(c)	**265,799**	286,258
Management and business development revenue	3(d)	**39,828**	19,550
Other revenue		**2,812**	2,480
Total business development and other revenue		**42,640**	22,030
Total revenue		**1,195,078**	1,154,484

(a) Toll and fee revenue

Toll revenue and associated fees are recognised when the charge is incurred by the user.

(b) Other road revenue

Other road revenue includes advertising, rental and other associated revenue.

(c) Construction revenue

Construction revenue is recognised during the construction phase of an intangible asset, and the development of assets for sale to third parties.

(d) Management and business development revenue

Management and business development revenue relates to the provision of management and development services to related and third parties.

4 Expenses

	2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses:		
Provision for impairment of trade receivables recognised during the year	**705**	829
Rental expenses relating to operating leases	**3,689**	4,157
Employee benefit expense	**90,662**	86,035
Defined contribution superannuation expense	**4,335**	4,229
Share based payment expense	**6,627**	3,131
Provision for maintenance recognised during the year	**21,930**	18,945

4 Expenses (continued)

	2013 $'000	2012 $'000
Concession fees (road operating cost) are attributable to:		
Hills M2 Motorway	**1,676**	1,476
M1 Eastern Distributor	**1,728**	1,722
	3,404	3,198
Depreciation and amortisation expense		
Road operating cost	**289,739**	287,073
Corporate cost	**22,379**	14,568
	312,118	301,641

5 Net finance costs

	2013 $'000	2012 $'000
Finance income		
Interest income on infrastructure bonds *	**-**	50,129
Interest income on held to maturity investments	**98,229**	91,341
Interest income on bank deposits	**9,802**	15,560
Total finance income	**108,031**	157,030
Finance costs		
Interest and finance charges paid/payable	**(327,618)**	(338,286)
Interest charges paid/payable on infrastructure bonds *	**-**	(16,757)
Unwind of discount on liabilities	**(17,307)**	(11,911)
Net foreign exchange losses	**(74)**	(70)
Total finance costs	**(344,999)**	(367,024)
Net finance costs	**(236,968)**	(209,994)

(*) - The M1 Eastern Distributor infrastructure bonds matured in August 2011.

6 Income tax benefit

Income tax benefit

	2013 $'000	2012 $'000
Current tax	**1,576**	54,793
Deferred tax	**(61,442)**	(111,748)
Under (over) provision in prior years	**2,699**	(14,249)
	(57,167)	(71,204)
Deferred income tax benefit included in income tax benefit comprises:		
(Increase) decrease in deferred tax assets (note 13)	**(34,193)**	(49,544)
(Decrease) increase in deferred tax liabilities (note 13)	**(27,249)**	(62,204)
	(61,442)	(111,748)

Numerical reconciliation of income tax benefit to prima facie tax payable

	2013 $'000	2012 $'000
Profit (loss) before income tax benefit	**117,374**	(12,646)
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)	**35,212**	(3,794)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Trust income not subject to tax	**(115,481)**	(102,688)
Accounting depreciation on non tax depreciable assets	**6,285**	6,349
Non-deductible interest	**7,335**	8,837
Equity accounted results	**2,921**	41,383
Sundry items	**3,862**	(7,042)
	(59,866)	(56,955)
Under (over) provision in prior years	**2,699**	(14,249)
Income tax benefit	**(57,167)**	(71,204)

Tax expense (income) relating to items of other comprehensive income

Cash flow hedges (note 20)	**5,936**	(43,823)
Foreign currency translation (note 20)	**1,386**	192
	7,322	(43,631)

6 Income tax benefit (continued)

Tax consolidation legislation

The Transurban Group elected to implement tax consolidation legislation for Transurban Holdings Limited and its wholly owned Australian entities with effect from 1 July 2005. The accounting policy in relation to this legislation is set out in note 1(f).

The entities in the Transurban Holdings Limited tax consolidated group entered into a tax sharing agreement (TSA) effective from 29 April 2009. The TSA, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Transurban Holdings Limited (THL).

The entities in the Transurban Holdings Limited tax consolidated group have also entered into a tax funding agreement (TFA) effective from 1 July 2008. Under the TFA the wholly-owned entities fully compensate THL for any current tax payable assumed and are compensated by THL for any current tax receivable and deferred tax assets relating to tax losses. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amount receivable/payable under the TFA are calculated as soon as practicable after the end of the financial year for each wholly-owned entity. THL communicates the funding amount to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

7 Current assets - Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank and in hand	**259,385**	318,148
	259,385	318,148

All cash balances are interest bearing.

Funds not for general use

The amount shown in Cash at Bank includes $66.2 million not available for general use at 30 June 2013 (2012: $68.0 million). This comprises amounts required to be held under maintenance and funding reserves, and prepaid tolls, which are restricted from general use.

8 Current assets - Trade and other receivables

	2013 $'000	2012 $'000
Trade receivables	**37,244**	36,440
Provision for impairment of receivables	**(791)**	(973)
	36,453	35,467
Other receivables	**45,150**	37,103
Prepayments	**6,945**	5,850
	88,548	78,420

Provision for impaired trade and other receivables

As at 30 June 2013 current trade receivables of the Group with a nominal value of $791,000 (2012: $973,000) were considered impaired and accordingly the Group held a provision for impairment of $791,000 (2012: $973,000). As at 30 June 2013, trade receivables of $6,747,000 (2012: $9,783,000) were past due but not impaired.

The ageing of these receivables is as follows:

For the year ended 30 June 2013	**Not Impaired $'000**	**Impaired $'000**	**Allowance for Doubtful Debts $'000**
Trade and other receivables			
Current (not past due)	29,706	373	373
less than 30 days overdue	5,247	32	32
more than 30 but less than 60 days overdue	468	51	51
more than 60 but less than 90 days overdue	77	30	30
more than 90 days overdue	955	305	305
	36,453	791	791

For the year ended 30 June 2012	Not Impaired $'000	Impaired $'000	Allowance for Doubtful Debts $'000
Trade and other receivables			
Current (not past due)	25,684	265	265
less than 30 days overdue	9,194	66	66
more than 30 but less than 60 days overdue	491	50	50
more than 60 but less than 90 days overdue	88	54	54
more than 90 days overdue	10	538	538
	35,467	973	973

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

Movements in the provision for impairment of receivables are as follows:

8 Current assets - Trade and other receivables (continued)

Provision for impaired trade and other receivables (continued)

	2013 $'000	2012 $'000
At 1 July	**973**	1,185
Provision for impairment recognised during the year	**705**	829
Receivables written off during the year as uncollectable	**(930)**	(1,041)
Unused amounts reversed	**43**	-
At 30 June	**791**	973

Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

When customers travel on a road without a prior arrangement in place, they are issued with an invoice. If this invoice is outstanding for a period of time it is sent to a government enforcement authority and the customers are issued an external fine. These authorities use the full extent of the law to recover the amounts and then pass on an amount collected back to the Group. This is recognised in 'other revenue'.

9 Equity accounted investments

	Ownership interest		Carrying amounts	
Name of company	**2013 %**	2012 %	**2013 $'000**	2012 $'000
Westlink M7:				
WSO Co Pty Limited	**50**	50	**-**	-
Westlink Motorway Limited	**50**	50	**-**	-
WSO Finance Pty Limited	**50**	50	**-**	-
Westlink Motorway Partnership	**50**	50	**-**	-
Interlink Roads Pty Ltd (M5 Motorway)	**50**	50	**303,639**	335,190
Transurban DRIVe Holdings LLC (Transurban DRIVe)	**75**	75	**228,627**	-
			532,266	335,190

9 Equity accounted investments (continued)

Summarised financial information of equity accounted investments

	Westlink M7		M5 Motorway		Transurban DRIVe		Total	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Group's share of assets								
Current assets	**41,182**	47,130	**17,002**	14,612	**268,063**	106,956	**326,247**	168,698
Non-current assets	**927,900**	947,226	**664,066**	639,482	**1,438,341**	1,237,305	**3,030,307**	2,824,013
Held for sale assets	**-**	-	**-**	-	**277,139**	-	**277,139**	-
	969,082	994,356	**681,068**	654,094	**1,983,543**	1,344,261	**3,633,693**	2,992,711
Group's share of liabilities								
Current liabilities	**12,573**	14,899	**41,176**	36,577	**58,773**	31,569	**112,522**	83,045
Non-current liabilities	**1,555,660**	1,505,536	**336,253**	282,327	**1,321,604**	1,343,392	**3,213,517**	3,131,255
Held for sale liabilities	**-**	-	**-**	-	**408,271**	-	**408,271**	-
	1,568,233	1,520,435	**377,429**	318,904	**1,788,648**	1,374,961	**3,734,310**	3,214,300
Group's share of profit and loss								
Revenue	**106,548**	101,548	**100,820**	96,334	**17,514**	10,855	**224,882**	208,737
Expenses	**(199,970)**	(192,705)	**(61,250)**	(76,930)	**(75,223)**	(352,442)	**(336,443)**	(622,077)
Net (loss) before tax	**(93,422)**	(91,157)	**39,570**	19,404	**(57,709)**	(341,587)	**(111,561)**	(413,340)
Tax benefit (expense)	**12,711**	20,071	**(21,121)**	(14,654)	**29,522**	82,932	**21,112**	88,349
Net profit (loss)	**(80,711)**	(71,086)	**18,449**	4,750	**(28,187)**	(258,655)	**(90,449)**	(324,991)
Movement in carrying amounts								
Carrying amount 1 July	**-**	-	**335,190**	383,890	**-**	140,944	**335,190**	524,834
Investments in associates and joint ventures	**-**	-	**-**	50	**205,616**	17,586	**205,616**	17,636
Share of recognised profits / (losses) after tax	**-**	-	**18,449**	4,750	**(28,187)**	(142,696)	**(9,738)**	(137,946)
Distributions received	**-**	-	**(50,000)**	(53,500)	**-**	-	**(50,000)**	(53,500)
Movement in exchange rate	**-**	-	**-**	-	**23,819**	24,162	**23,819**	24,162
Movement in reserves	**-**	-	**-**	-	**27,379**	(39,996)	**27,379**	(39,996)
Carrying amount at 30 June	**-**	-	**303,639**	335,190	**228,627**	-	**532,266**	335,190
Shares of losses not recognised								
Balance at 1 July	**(412,582)**	(341,496)	**-**	-	**(104,525)**	-	**(517,107)**	(341,496)
Unrecognised losses for the year	**(80,711)**	(71,086)	**-**	-	**-**	(115,959)	**(80,711)**	(187,045)
Unrecognised other comprehensive incomes for the year	**-**	-	**-**	-	**-**	11,434	**-**	11,434
Balance at 30 June	**(493,293)**	(412,582)	**-**	-	**(104,525)**	(104,525)	**(597,818)**	(517,107)

9 Equity accounted investments (continued)

Summarised financial information of equity accounted investments (continued)

	Westlink M7		M5 Motorway		Transurban DRIVe		Total	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Share of expenditure commitments								
Capital commitments	**-**	-	**107,836**	133,112	**311,177**	64,387	**419,013**	197,499
Operating commitments	**185,919**	204,657	**-**	-	**229,412**	186,554	**415,331**	391,211
	185,919	204,657	**107,836**	133,112	**540,589**	250,941	**834,344**	588,710
Contingent liabilities								
Share of contingent liabilities incurred jointly with other investors	**-**	-	**-**	-	**-**	-	**-**	-
	-	-	**-**	-	**-**	-	**-**	-

Westlink M7

Transurban owns a 50 per cent interest in the Westlink Group which holds the concession to design, construct, finance and operate the Westlink M7 Motorway in Sydney for a period of 34 years until February 2037. All were incorporated in Australia.

WSO Co Pty Limited is the operator of the Motorway.

Westlink Motorway Limited is the nominee manager of the Westlink Motorway Partnership.

WSO Finance Pty Limited is the financier of the Motorway.

Westlink Motorway Partnership was responsible for the construction of the Motorway. The Motorway opened for operation on 16 December 2005.

The Motorway is a fully electronically tolled motorway with distance-based tolling charges. Tolls are escalated or deescalated quarterly by quarterly CPI.

Transurban also holds the right to provide tolling and customer management services to the M7.

M5 Motorway

Transurban holds a 50 per cent ownership interest in the M5 Motorway in Sydney. Tolls are collected on the M5 in both directions, with four toll collection points. The concession for the M5 Motorway extends to December 2026 following completion of the M5 widening when all concession assets will be returned to the NSW State Government.

The M5 has two tolling categories, cars and similar vehicles and all other vehicles (for example, trucks and buses). Toll increases for the M5 are based on CPI in $0.50 increments. The M5 is a participant in the NSW State Government Cashback Scheme. Motorists with ETC (Electronic Toll Collection) accounts and driving privately registered vehicles on the M5 are able to claim the full amount of tolls paid (excluding GST) from the NSW State Government.

9 Equity accounted investments (continued)

Transurban DRIVe

Transurban owns 75 per cent of Transurban DRIVe Holdings LLC (DRIVe). Whilst Transurban ownership represents greater than half of the voting rights of DRIVe, it does not have power to govern its financial, investing and operating policies and accordingly is accounted for as a jointly controlled entity.

A Meeting of Members of DRIVe is required to make decisions in relation to such areas as the legal and financial structure of DRIVe, including distribution policies. 80 per cent or more of the membership interests of those voting is required to pass a decision of the Meeting of Members. Key decisions relating to the operations and financing of DRIVe, such as approval to bid for or dispose of an investment and approval of budgets, are made by Members with member interest of 80 per cent or greater.

DRIVe owns 100 per cent of Pocahontas 895, 90 per cent of 495 Express Lanes and 90 per cent of 95 Express Lanes, all located in Virginia, USA. Pocahontas 895 is a 99 year concession ending in June 2105. Tolls are escalated with reference to a prescribed schedule until 2016, thereafter tolls may be increased by the greater of CPI, real GDP or 2.8 per cent. 495 Express Lanes opened for operation on 17 November 2012 and has a 75 year concession period. Tolls are charged on a dynamic basis to manage congestion and average travel speeds. 95 Express Lanes is currently in the construction phase and remains on schedule for completion in late 2014.

In June 2013 Transurban DRIVe approved the transfer of Pocahontas 895, in Virginia USA, to the lenders of the asset. Transfer discussions have commenced with the lenders, however the final structure has not yet been agreed. As a result, Pocahontas has been classified as held for sale and a discontinued operation in this note.

10 Non-current assets - Held to maturity investments

	Notes	2013 $'000	2012 $'000
Term loan notes	10(a)	**831,646**	782,667
M5 debt notes	10(b)	**31,220**	8,725
		862,866	791,392

10 Non-current assets - Held to maturity investments (continued)

(a) Term loan notes

Term Loan Notes (TLN's) represent Transurban's debt funding contribution to Westlink M7. The fixed maturity date of the TLN's is the earlier of 34 years and the termination of the "Agreement to Lease" between the Roads and Maritime Services (RMS) (formally known as the Roads and Traffic Authority) of New South Wales and Westlink Motorway Limited.

The interest rate charged on these notes is 11.93 per cent and any unpaid interest capitalises into additional notes. During the year ended 30 June 2013 the Group capitalised interest of $49.0 million (2012: $58.4 million).

(b) M5 debt notes

The M5 debt notes are Transurban’s debt funding contribution to the M5 West Widening Project. The fixed maturity date of the notes is 10 years after financial close of the Project. The interest rate charged on these notes is fixed at 5.0 per cent for the first three years following financial close.

Impairment and risk exposure
None of the held to maturity investments are either past due or impaired. All held-to-maturity investments are denominated in Australian currency. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

11 Derivative financial instruments

	2013 $'000	2012 $'000
Current assets		
Forwards exchange contracts - cash flow hedges	**963**	-
	963	-
Non-current assets		
Interest rate swap contracts - cash flow hedges	**372**	70
Cross-currency interest rate swap contracts - cash flow hedges	**9,016**	-
Forwards exchange contracts - cash flow hedges	**547**	67
	9,935	137
Total derivative financial instrument assets	**10,898**	137
Current liabilities		
Interest rate swap contracts - cash flow hedges	**7,037**	1,201
Forward exchange contracts - cash flow hedges	**-**	114
	7,037	1,315
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**221,409**	279,422
Cross-currency interest rate swap contracts - cash flow hedges	**136,463**	224,594
	357,872	504,016
Total derivative financial instrument liabilities	**364,909**	505,331

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group financial risk management policies (refer to note 38).

The instruments used by the Group are as follows:

Interest rate swap contracts - cash flow hedges
The Group uses interest rate swap contracts for hedging purposes to convert variable rate borrowings to fixed. Variable rate borrowings of the Group currently bear an average interest rate of 3.9 per cent (2012: 5.0 per cent). It is policy to protect part or all of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

Interest rate swap contracts currently in place cover 96 per cent (2012: 99 per cent) of long term variable debt excluding working capital facilities. The average all-in rate after hedging on the hedged portion of the Group's variable rate borrowings is 6.6 per cent (2012: 7.1 per cent).

11 Derivative financial instruments (continued)

Instruments used by the Group (continued)

Forward exchange contracts - cash flow hedges
In order to protect against exchange rate movements, the Group currently uses forward exchange contracts to hedge a portion of the US Private Placement interest (Nov 06 - Tranche C).

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

Cross-currency interest rate contracts - cash flow hedges
The Group has raised fixed rate foreign currency debt through several U.S. Private Placements and a Maple Bond issue. It is the policy of the Group to protect foreign currency facilities from exposures to unfavourable exchange rate movements. Accordingly the Group has entered into cross-currency interest rate swap contracts under which it is obliged to receive foreign currency at fixed rates and pay AUD at either fixed or floating rates. The Group then uses interest rate swap contracts to convert the floating rate commitments back to fixed.

12 Non-current assets - Property, plant and equipment

	Equipment, fittings and operating systems $'000
At 1 July 2011	
Cost	319,675
Accumulated depreciation	(142,127)
Net book amount	177,548
Year ended 30 June 2012	
Opening net book amount	177,548
Additions	36,616
Disposals	(1,085)
Depreciation charge	(21,163)
Movement in foreign exchange rates	48
Closing net book amount	191,964
At 30 June 2012	
Cost	352,392
Accumulated depreciation	(160,428)
Net book amount	191,964
Year ended 30 June 2013	
Opening net book amount	191,964
Additions	17,152
Disposals	(72)
Depreciation charge	(29,076)
Movement in foreign exchange rates	198
Closing net book amount	180,166
At 30 June 2013	
Cost	367,849
Accumulated depreciation	(187,683)
Net book amount	180,166

13 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
The balance comprises temporary differences attributable to:						
Accrued expenses	**2,022**	1,384	**-**	-	**2,022**	1,384
Provisions	**82,015**	78,777	**-**	-	**82,015**	78,777
Current and prior year losses	**565,478**	531,913	**-**	-	**565,478**	531,913
Unearned income	**2,355**	8,027	**-**	-	**2,355**	8,027
Fixed Assets/Intangibles	**16,801**	9,460	**(963,271)**	(992,585)	**(946,470)**	(983,125)
Interest receivable	**-**	-	**(1,551)**	(1,413)	**(1,551)**	(1,413)
Unrealised foreign exchange	**9,249**	11,478	**(10,166)**	(12,621)	**(917)**	(1,143)
Prepayments	**-**	-	**(8,138)**	(6,165)	**(8,138)**	(6,165)
Concession fees and promissory notes	**637**	513	**(343,422)**	(336,817)	**(342,785)**	(336,304)
Cash flow hedges	**90,138**	125,658	**(64,360)**	(93,944)	**25,778**	31,714
Other	**1,712**	1,599	**-**	-	**1,712**	1,599
Tax assets/(liabilities)	**770,407**	768,809	**(1,390,908)**	(1,443,545)	**(620,501)**	(674,736)
Set-off of tax	**(761,260)**	(756,258)	**761,260**	756,258	**-**	-
Net tax assets/(liabilities)	**9,147**	12,551	**(629,648)**	(687,287)	**(620,501)**	(674,736)
Movements:						
Opening balance at 1 July	**768,809**	705,755	**(1,443,545)**	(1,536,702)	**(674,736)**	(830,947)
Credited to the income statement	**34,193**	49,544	**27,249**	62,204	**61,442**	111,748
Credited/(charged) to equity	**(35,520)**	12,678	**28,198**	30,953	**(7,322)**	43,631
Foreign exchange movements	**115**	832	**-**	-	**115**	832
Transfer from deferred tax assets/liabilities	**2,810**	-	**(2,810)**	-	**-**	-
Closing balance at 30 June	**770,407**	768,809	**(1,390,908)**	(1,443,545)	**(620,501)**	(674,736)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**770,407**	768,809	**(1,390,908)**	(1,443,545)	**(620,501)**	(674,736)
	770,407	768,809	**(1,390,908)**	(1,443,545)	**(620,501)**	(674,736)

The set off of deferred tax assets and liabilities relates to deferred tax balances for Australian domiciled entities that are levied tax by the Australian Taxation Office, and separately, the deferred tax balances for United States domiciled entities that are levied tax by the Internal Revenue Service.

14 Non-current assets - Intangible assets

	Goodwill $'000	CityLink $'000	Hills M2 Motorway $'000	M1 Eastern Distributor $'000	M4 Motorway $'000	Lane Cove Tunnel $'000	Assets under construction $'000	Total $'000
At 1 July 2011								
Cost	260,288	4,679,980	2,517,866	2,153,780	178,788	648,068	220,141	10,658,911
Accumulation amortisation and impairment	-	(1,441,143)	(517,176)	(223,652)	(176,815)	(21,844)	-	(2,380,630)
Net book amount	260,288	3,238,837	2,000,690	1,930,128	1,973	626,224	220,141	8,278,281
Year ended 30 June 2012								
Opening net book amount	260,288	3,238,837	2,000,690	1,930,128	1,973	626,224	220,141	8,278,281
Additions	-	-	-	-	-	-	265,535	265,535
Other adjustment (note 17e)	-	(89,227)	-	-	-	-	-	(89,227)
Transfers	-	64,180	-	-	-	-	(64,180)	-
Amortisation charge	-	(139,158)	(64,427)	(52,049)	(307)	(24,533)	-	(280,474)
Closing net book amount	260,288	3,074,632	1,936,263	1,878,079	1,666	601,691	421,496	8,174,115
Cost	260,288	4,654,933	2,517,866	2,153,780	178,788	648,068	421,496	10,835,219
Accumulation amortisation and impairment	-	(1,580,301)	(581,603)	(275,701)	(177,122)	(46,377)	-	(2,661,104)
Net book amount	260,288	3,074,632	1,936,263	1,878,079	1,666	601,691	421,496	8,174,115
Year ended 30 June 2013								
Opening net book amount	260,288	3,074,632	1,936,263	1,878,079	1,666	601,691	421,496	8,174,115
Additions	-	-	-	-	-	-	234,614	234,614
Other adjustment (note 17e)	-	2,663	-	-	-	-	-	2,663
Amortisation charge	-	(141,723)	(64,429)	(52,050)	(307)	(24,533)	-	(283,042)
Closing net book amount	260,288	2,935,572	1,871,834	1,826,029	1,359	577,158	656,110	8,128,350
At 30 June 2013								
Cost	260,288	4,657,597	2,517,867	2,153,780	178,788	648,068	656,110	11,072,498
Accumulated amortisation	-	(1,722,025)	(646,033)	(327,751)	(177,429)	(70,910)	-	(2,944,148)
Net book amount	260,288	2,935,572	1,871,834	1,826,029	1,359	577,158	656,110	8,128,350

Goodwill

Goodwill relates to the Group's Sydney Network and has arisen from the acquisition of Hills Motorway Group, Tollaust Pty Limited and the Sydney Roads Group.

Concession assets

The CityLink, Hills M2, Eastern Distributor, M4 Motorway and Lane Cove Tunnel Service Concession Arrangements have been accounted for in accordance with AASB-I 12 and therefore the concession assets have been classified as Intangible Assets.

14 Non-current assets - Intangible assets (continued)

Concession assets (continued)

CityLink concession asset
Transurban holds the Concession for Melbourne's CityLink tollway which grants the Group the right to design, build, operate and maintain CityLink for the concession period ending on 14 January 2034 (being 34 years following completion of construction). Transurban has the right to collect tolls from CityLink for the duration of the Concession Arrangement and maintains the tollway to ensure continuous availability for public use. Tolls are escalated in accordance with the maximum allowable increases in the Concession Deed, being a quarterly escalation at the greater of quarterly CPI or 1.1065 per cent (equivalent to an annual escalation rate of 4.5 per cent) for the first 15 years then quarterly by CPI, but no greater than annual CPI plus 2.5 per cent. At the end of the concession period, all concession assets are to be returned to the Victorian State Government.

Hills M2 concession asset
Transurban has the right to toll the Hills M2 Motorway until 2046 following completion of the M2 widening. The Concession Deed also requires Transurban to maintain the Motorway.

Toll increases for the Motorway are based on a maximum toll increase as defined in the Concession Deed, being a quarterly escalation at the greater of quarterly CPI or 1 per cent, subject to integer rounding. At the end of the concession period, all concession assets will be returned to the NSW State Government.

M1 Eastern Distributor concession asset
Transurban has the right to toll the M1 Eastern Distributor (ED) until 24 July 2048.

Toll increases for the ED are based on a maximum toll increase as defined in the Concession Deed, being a quarterly escalation at the greater of a weighted sum of quarterly AWE and quarterly CPI or 1 per cent subject to integer rounding. At the end of the concession period, all concession assets will be returned to the NSW State Government.

M4 concession asset
Transurban held an investment of 100 per cent in the M4 Motorway in Sydney via the concessionaire, Statewide Roads Limited. The M4 Motorway opened in 1992 and was handed back to the NSW State Government on 15 February 2010.

The Group continues to operate and maintain the service centres located on the M4 Motorway.

Lane Cove Tunnel
Transurban has the right to toll the Lane Cove Tunnel until January 2037.

Toll increases for the Lane Cove Tunnel are based the maximum toll increase as defined in the Concession Deed, being a quarterly escalation of CPI. At the end of the concession period, all concession assets will be returned to the NSW State Government.

Assets under construction
The Group is currently undertaking upgrade works on the Hills M2 Motorway. Construction on the M2 Upgrade commenced in January 2011. This will be transferred to the intangible asset upon completion.

Impairment testing of goodwill and other intangible assets

Impairment testing
The Group tests whether goodwill and other intangible assets have suffered any impairments, in accordance with the accounting policy stated in note 1(i). The recoverable amount of assets and cash-generating units have been determined based on the greater of value-in-use and fair value less cost to sell calculations. These calculations require the use of assumptions regarding traffic flows, discount rates, growth rates and other factors affecting operating activities of cash-generating units.

14 Non-current assets - Intangible assets (continued)

Impairment testing of goodwill and other intangible assets (continued)

Key assumptions used for calculating the recoverable amount
The Group makes assumptions in calculating the recoverable amount of its cash generating units. These include assumptions around expected traffic flows and forecast operational costs. In performing the calculations the Group has applied a discount rate of 8.2 per cent (2012: 8.8 to 11.0 per cent), representing the implied discount rate applicable to the risk profile of the Group's assets, to discount the forecast future attributable cash flows. In determining future cash flows, the Group has also applied rates of growth to underlying operating assumptions to reflect the expected performance of the assets beyond the budget period in accordance with the respective concessions. The operating costs have been escalated in line with a combination of Consumer Price Index (CPI) and Average Weekly Earnings (AWE) forecasts. A long term CPI rate of 2.5 per cent (2012: 2.5 per cent) and AWE of 4.0 per cent (2012: 4.0 per cent) have been used.

15 Current liabilities - Trade and other payables

	2013 $'000	2012 $'000
Trade payables and accruals	**105,595**	110,103
	105,595	110,103

16 Borrowings

	Notes	**2013 $'000**	2012 $'000
Current			
Capital Markets debt	16(a)	**250,000**	-
Working capital facilities	16(b)	**188,256**	-
		438,256	-
Non-current			
Working capital facilities	16(b)	**97,240**	58,355
Capital Markets debt	16(a)	**1,048,200**	1,276,478
Term debt	16(c)	**1,504,852**	1,412,849
U.S. Private Placement	16(d)	**1,249,797**	1,142,963
Syndicated facility	16(e)	**599,146**	598,752
		4,499,235	4,489,397
Total borrowings		**4,937,491**	4,489,397

Description of borrowings - Financing arrangements and credit facilities

Credit facilities are provided as part of the overall debt funding structure of the Transurban Group. Each facility is described below.

(a) Capital markets debt

These facilities comprise the following:

16 Borrowings (continued)

(a) Capital markets debt (continued)

- $600.0 million credit wrapped floating rate bonds raised in November 2005 with terms of 10 years ($300.0 million) and 12 years ($300.0 million) with interest currently payable at 3.1 per cent and 3.2 per cent respectively at 30 June 2013. These facilities are fully hedged with all-in rates of 7.4 and 5.0 per cent respectively.
- $250.0 million non-credit wrapped fixed rate bonds raised in March 2010 with a term of four years. Interest is payable at 7.3 per cent.
- $200.0 million non-credit wrapped fixed rate bonds raised in June 2011 with a term of five years. Interest is payable at 6.8 per cent.

The above facilities have deferred borrowing costs of $7.9 million. These facilities are secured by a first ranking charge over the cash flows of the Group.

The Group established a US $2 billion secured EMTN program in October 2011. Under the program the Group may from time to time issue notes denominated in any currency.

The Group has issued the following notes under the program:

- $257.8 million of Canadian dollar denominated ($250.0m CAD) secured fixed rate medium term notes raised in March 2012 with a term of seven years. Interest is payable at 3.4 per cent. This facility is fully hedged with an all-in rate after hedging of 6.7 per cent.

The EMTN facility has deferred borrowing costs of $1.7 million. This facility is secured by a first ranking charge over the cash flows of the Group.

(b) Working capital facilities

The Group has the following facilities in place:

- $110.0 million facility which is for a term of three years, maturing December 2013. At 30 June 2013, $98.4 million of the facility was drawn.
- $110.0 million facility which is for a term of three years, maturing December 2013. At 30 June 2013, $89.9 million of the facility was drawn. Letters of credit to the value of $15.5 million have also been issued under this multi-option facility.
- $100.0 million facility which is for a term of three years, maturing August 2014. At 30 June 2013, $72.7 million of the facility was drawn.
- $75.0 million facility which is for a term of three years, maturing January 2016. At 30 June 2013, $25.6 million of the facility was drawn.
- $50.0 million facility which is for a term of three years, maturing January 2016. At 30 June 2013, the facility was undrawn.
- $75.0 million facility which is for a term of three years, maturing January 2016. At 30 June 2013, the facility was undrawn.

These facilities are secured by a first ranking charge over the cash flows of the Group. The facilities have deferred borrowing costs of $1.1 million.

(c) Term debt

The term debt facilities are comprised of:

- $520.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust). The facility has deferred borrowing costs of $3.1 million.
- $740.0 million facility entered into by Hills Motorway Management Limited (as trustee for Hills Motorway Trust). The facility has deferred borrowing costs of $4.0 million.
- $260.0 million facility entered into by LCT-MRE Nominees Pty Limited (as trustee for LCT-MRE Trust). The facility has deferred borrowing costs of $1.4 million.

16 Borrowings (continued)

(c) Term debt (continued)

The Airport Motorway facility was refinanced in July 2011 and is fully secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets. The facility is a $520.0 million non-recourse syndicated facility with terms of three years ($295.0 million) and seven years ($225.0 million). The current floating interest rate applicable to the facility is 2.8 per cent (2012: 3.5 per cent). These facilities are currently fully hedged to an all-in rate after hedging of 6.9 per cent.

The Hills M2 facility was refinanced in November 2010 and is fully secured against the respective rights of Hills Motorway Limited and Hills Motorway Trust and their assets. The facility is a non-recourse syndicated facility totalling $740.0 million. The financing comprised: the refinancing of $465.0 million of existing debt with terms of four years ($400.0 million), and six years ($65.0 million); and a new construction capex facility of $275.0 million with a term of six years. As at 30 June 2013, $268.4 million was drawn under the construction capex facility. The current floating interest rate applicable to the total facility is 2.9 per cent (2012: 3.7 per cent). The total facility is currently 86 per cent hedged with an all-in rate after hedging of 6.8 per cent.

The Lane Cove Tunnel facility was refinanced in June 2013 and is fully secured against the respective rights of LCT-MRE Pty Limited and LCT-MRE Trust and their assets. This facility is a non-recourse syndicated facility with a term of approximately three years. The current floating rate applicable to the facility is 2.9 per cent (2012: 3.6 per cent). The facility is currently fully hedged to an all-in rate after hedging of 6.3 per cent.

(d) U.S. private placement

The composition of the three US Private Placements is outlined below:

	Rate	USD $'000	AUD $'000	Maturity
Fixed Interest Rate				
Dec 04 - Tranche A	5.02%	100,000	107,817	Dec 2014
Dec 04 - Tranche B	5.17%	38,900	41,941	Dec 2016
Dec 04 - Tranche C	5.47%	108,600	117,089	Dec 2019
Aug 05 - Tranche A	5.04%	98,000	105,660	Aug 2015
Aug 05 - Tranche B	5.19%	125,500	135,310	Aug 2017
Aug 05 - Tranche C	5.35%	156,500	168,733	Aug 2020
Nov 06 - Tranche A	5.71%	56,980	61,434	Nov 2016
Nov 06 - Tranche B	5.86%	181,534	195,724	Nov 2018
Nov 06 - Tranche C	5.95%	162,220	174,900	Nov 2021
Nov 06 - Tranche D	6.06%	67,392	72,660	Nov 2026
		1,095,626	1,181,268	
Floating Interest Rate				
Dec 04 - Tranche D	3.5%		72,000	Dec 2019
			72,000	
Total US Private Placement			1,253,268	
Deferred borrowing costs			(3,471)	
Total			1,249,797	

Note that the Dec 04 - Tranche D facility is fully hedged with an all in rate after hedging of 6.7 per cent.
These facilities are secured by a first ranking charge over the cash flows of the Group.

16 Borrowings (continued)

(d) U.S. private placement (continued)

Hedge of net investment in foreign entity
Transurban's investment in Transurban DRIVe Holdings LLC acts as a natural hedge against exposure to foreign currency movements in a portion of the US Private Placement (Nov 06 - Tranche C). Exchange differences arising on the revaluation of the USD debt are recognised in profit or loss in the separate financial report of Transurban Finance Company Pty Limited. In the consolidated financial report, such exchange differences are recognised initially in a separate component of equity and will be recognised in the profit or loss on disposal of the net foreign investment.

As at 30 June 2013, the Group has deferred $29.7 million in gains (2012: $45.4 million).

(e) Syndicated facility

These facilities, established in August 2007 and December 2011, comprise syndicated bank debt issued by Transurban Finance Company Pty Limited. At 30 June 2013, the following amounts were drawn:

- $215.0 million which is for a term of circa three years, maturing February 2015.
- $160.0 million which is for a term of circa five years, maturing February 2017.
- $100.0 million which is for a term of seven years, maturing August 2014.
- $125.0 million which is for a term of ten years, maturing August 2017.

Applicable interest rates ranging between 3.5 and 4.8 per cent. These facilities are fully hedged with an all-in rate after hedging of 6.2 per cent.

These facilities have deferred borrowing costs of $0.9 million and are secured by a first ranking charge over the cash flows of the Group.

Letters of credit and corporate credit facilities

The Group has a $50 million letter of credit facility which is for a term of 3 years, maturing December 2013. As at 30 June 2013, letters of credit to the value of $29.4 million have been issued under this facility. Additionally, letters of credit to the value of $15.5 million have been issued under a multi-option facility (refer to note 16(b)). All letters of credit are currently undrawn and therefore no liability has been recorded.

A $6.6 million general credit facility is in place covering corporate requirements including letters of credit, credit card facilities, online banking and an overdraft facility. As at 30 June 2013, $5.3 million of bank guarantees have been issued which are currently undrawn and therefore no liabilities have been recorded. The 364 day facility matures June 2014.

16 Borrowings (continued)

Covenants

The Group's consolidated borrowings have the following Interest Coverage Ratio (ICR) covenants:

- CityLink - ICR greater than 1.1 times
- Group - ICR greater than 1.25 times

In addition, the Group has a market capitalisation based clause where gearing must not exceed 60 per cent. Based on the balance sheet as at 30 June 2013, the Group's security price would need to close below $2.24 per Security for 20 consecutive business days to trigger this clause.

In addition, the non-recourse debt at M1 Eastern Distributor, Hills M2 Motorway and Lane Cove Tunnel has the following covenants:

- M1 Eastern Distributor - ICR greater than 1.2 times
- Hills M2 Motorway - ICR greater than 1.2 times
- Lane Cove Tunnel - ICR greater than 1.15 times

17 Provisions

	Notes	**2013 $'000**	2012 $'000
Current			
Employee benefits	17(a)	**23,201**	18,119
Onerous lease and restructuring provision	17(b)	**4,305**	1,560
Distribution to security holders	17(c)	**229,696**	218,798
Distribution to non-controlling interests in subsidiaries	17(c)	**32,963**	28,065
Maintenance provision	17(d)	**44,248**	26,943
		334,413	293,485
Non-current			
Employee benefits	17(a)	**2,303**	5,602
Maintenance provision	17(d)	**185,026**	175,782
Provision for contingent consideration	17(e)	**15,034**	12,371
		202,363	193,755
Total provisions		**536,776**	487,240

17 Provisions (continued)

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Current				Non-current	
	Onerous lease and restructuring provision $'000	**Distribution to security holders $'000**	**Distributions to non-controlling interest in subsidiaries $'000**	**Current maintenance provision $'000**	**Non-current maintenance provision $'000**	**Provision for contingent consideration $'000**
Consolidated - 2013						
Balance at 1 July	1,560	218,798	28,065	26,943	175,782	12,371
Additional provision recognised	3,047	456,315	14,758	21,930	-	2,663
Amounts paid/utilised	(456)	(445,417)	(9,860)	(9,093)	-	-
Movements in foreign exchange rates	154	-	-	-	-	-
Unwinding of discount	-	-	-	-	13,712	-
Transfer	-	-	-	4,468	(4,468)	-
Balance at 30 June	4,305	229,696	32,963	44,248	185,026	15,034

(a) Employee benefits

Employee benefits relate to the provision for annual leave, bonuses, long service leave and cash settled long term incentives.

(b) Onerous lease and restructuring provision

An onerous lease is recognised when the Group has lease commitments on property no longer used. A restructuring provision is recognised when the Group has a detailed formal plan for restructuring.

(c) Distribution to security holders and non-controlling interests

These distributions are provided for once approved by the board and are announced to equity holders.

(d) Maintenance provision

A maintenance provision is recognised for the present value of the Group's obligations to maintain the tolling assets as required under the Service Concession Arrangements.

(e) Provision for contingent consideration

As part of the M1 CityLink Upgrade project agreement with the Victorian State Government, Transurban agreed to share any increased toll revenue resulting from the upgrade once the agreed investment and future operating costs for the new Southern Link Upgrade section are recovered.

The payment will represent 50 per cent of the present value of this increased revenue. Actual toll revenue for the third full financial year post construction completion is extrapolated to the end of the CityLink concession to determine the payment amount. The payment is due 90 days following the calculation date (30 June 2014).

A provision and corresponding intangible asset have been recognised for the potential obligation to pay the State.

18 Other liabilities

	Notes	2013 $'000	2012 $'000
Current			
Prepaid tolls	18(a)	**63,132**	59,976
Unearned income	18(b)	**6,060**	12,694
Other		**2,681**	581
		71,873	73,251
Non-current			
Concession and promissory notes	18(c)	**58,297**	51,072
Lease incentive		**1,404**	1,984
Other		**657**	617
		60,358	53,673
Total other liabilities		**132,231**	126,924

(a) Prepaid tolls

Prepaid tolls represent amounts received from customers and held on deposit until the charge is incurred by the user.

(b) Unearned income

Unearned income represents amounts received in advance and will be recognised when the income is earned.

(c) Concession and promissory notes

M1 Eastern Distributor
The Eastern Distributor Project Deed between Airport Motorway Limited, Airport Motorway Trust and the Roads and Maritime Services (RMS) provides for annual concession fees of $15.0 million during the construction phase and for the first 24 years after construction completion of the M1 Eastern Distributor. Until a certain threshold return is achieved, payments of concession fees due under the Project Deed will be satisfied by means of the issue of non-interest bearing Concession Notes.

Concession Notes are recognised at the present value of expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of the motorway, the present value of the expected future repayments is determined using a discount rate of 12 per cent which recognises their subordinate nature.

The face value of Concession Notes on issue at 30 June 2013 is $240.0 million (2012: $225.0 million). The net present value at 30 June 2013 of the redemption payments relating to these Concession Notes is $35.4 million (2012: $30.7 million).

18 Other liabilities (continued)

(c) Concession and promissory notes (continued)

M2 Motorway
The Hills Motorway Trust has entered into leases with the Roads and Maritime Services of New South Wales (RMS). Annual lease liabilities under these leases total $7.0 million, indexed annually to the Consumer Price index over the estimated period that the M2 Motorway will be used. Until such time as a threshold return is achieved, payments under these leases can be made at any time at the discretion of the trustee of the Hills Motorway, by means of the issue of non-interest bearing Promissory Notes to the RMS.

Promissory Notes are recognised at the present value of expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of the M2 Motorway, the present value of the expected future repayments is determined using a discount rate of 12 per cent which recognises their subordinated nature.

The face value of Promissory Notes on issue at 30 June 2013 is $147.6 million (2012: $136.9 million). The net present value at 30 June 2013 of the redemption payments relating to these Promissory Notes is $22.9 million (2012: $20.3 million).

19 Contributed equity

Share capital

	2013 $'000	2012 $'000
Fully paid stapled securities	**7,975,953**	7,847,912
	7,975,953	7,847,912

	2013 Number '000	2012 Number '000
Fully paid stapled securities	**1,481,595**	1,458,321
	1,481,595	1,458,321

Stapled securities

The number of stapled securities on issue is 1,481,594,818 (2012: 1,458,321,154).

Stapled securities entitle the holder to participate in distributions and on winding up of the Group in proportion to the number of and amounts paid on the securities held. On a show of hands every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote.

Capital risk management

The Group is subject to a gearing ratio covenant imposed by senior secured lenders. The Group monitors capital on the basis of the gearing ratio to ensure compliance with the covenant. There have been no breaches of the covenant. For further information refer to note 16.

19 Contributed equity (continued)

Capital risk management (continued)

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions paid to shareholders, return capital to shareholders, issue new securities or sell assets to reduce debt.

Movements in ordinary share capital:

	Notes	Number of units $'000	Consolidated $'000
Opening balance at 1 July 2011		1,443,193	7,772,117
Distribution reinvestment plan	19(a)	14,162	76,001
Disposal and vesting of treasury securities	19(b)	351	1,640
Transfer vesting portion of LTI from share-based payment reserve		615	4,051
Purchase of Performance Rights Plan units		-	(2,496)
Less: Amounts attributable to Transurban International Limited	19(c)	-	(3,401)
Closing balance at 30 June 2012		1,458,321	7,847,912
Opening balance at 1 July 2012		1,458,321	7,847,912
Distribution reinvestment plan	19(a)	5,809	34,567
Transfer vesting portion of LTI from share-based payment reserve		715	2,972
Purchase of Performance Awards Plan units		-	(1,336)
Placement to Unisuper Limited	19(d)	16,260	100,000
Deferred Short Term Incentives issued	19(e)	490	2,784
Less: Amounts attributable to Transurban International Limited	19(c)	-	(10,946)
Closing balance at 30 June 2013		1,481,595	7,975,953

(a) Distribution reinvestment plan

The Transurban Group has established a distribution reinvestment plan under which holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash.

(b) Treasury securities

Stapled securities were issued to executives under share based payment plans. The securities were held by the executive but vested in the executive in accordance with the terms of the plans. The acquired securities could not be transferred or sold prior to vesting date. On forfeit, the securities were sold on market.

19 Contributed equity (continued)

(c) Non-controlling interest - Transurban International Limited

THL has been identified as the parent entity of the post-date of transition stapling arrangement of THL, THT and TIL. AASB Interpretation 1002 requires the equity of TIL to be classified as a non-controlling interest.

(d) Placement to Unisuper Limited

On 7 January 2013 Transurban issued 16,260,163 ordinary stapled securities under a placement to Unisuper Limited (as trustee of the superannuation fund known as UniSuper).

(e) Deferred Short Term Incentives

Mandatory STI deferral of a portion of the overall STI award, as detailed in the Remuneration Report, was introduced for the CEO and other Senior Executives in the year ended 30 June 2012. For Australian Senior Executives deferral is into securities.

20 Reserves and accumulated losses

Reserves

	2013 $'000	2012 $'000
Cash flow hedges	**(94,723)**	(129,119)
Share-based payments	**6,114**	8,200
Foreign currency translation	**(9,410)**	(12,294)
Transactions with non-controlling interests	**(6,118)**	(5,127)
	(104,137)	(138,340)

Movements:

	2013 $'000	2012 $'000
Cash flow hedges		
Balance 1 July	**(129,119)**	34,560
Revaluation - gross	**42,112**	(219,648)
Deferred tax	**(5,936)**	43,823
Transfer to net profit	**457**	5,048
Amount attributable to non-controlling interest	**(2,237)**	7,098
Movement in equity accounted investment's reserve	**27,379**	(39,996)
Movement in equity accounted investment's reserve attributable to non-controlling interest	**(27,379)**	39,996
Balance 30 June	**(94,723)**	(129,119)
Share-based payments		
Balance 1 July	**8,200**	10,188
Employee share plan expense	**6,627**	3,131
Transfer vesting portion of LTI to contributed equity	**(6,160)**	(4,966)
Transfer non-vesting portion of LTI to retained earnings	**-**	(153)
Deferred short term incentives	**(2,786)**	-
Amount attributable to non-controlling interests	**233**	-
Balance 30 June	**6,114**	8,200

20 Reserves and accumulated losses (continued)

Reserves (continued)

Foreign currency translation		
Balance 1 July	**(12,294)**	(13,160)
Currency translation differences arising during the year	**(21,681)**	13,172
Deferred tax (note 13)	**(1,386)**	(192)
Currency translation differences arising during the year attributable to non-controlling interest	**25,951**	(12,114)
Balance 30 June	**(9,410)**	(12,294)
Transactions with non-controlling interests		
Balance 1 July	**(5,127)**	(5,127)
Acquisition of additional ownership in subsidiary (note 27)	**(991)**	-
Balance 30 June	**(6,118)**	(5,127)

Accumulated losses

Movements in (accumulated losses) were as follows:

	2013 **$'000**	2012 $'000
Balance 1 July	**(4,232,045)**	(4,085,426)
Profit attributable to ordinary equity holders of the stapled group	**171,706**	54,905
Distributions to ordinary security holders	**(456,316)**	(429,203)
Transfer of loss attributable to non-controlling interest - Transurban International Limited	**47,198**	227,526
Transfer non-vesting portion of LTI from share-based payment reserve	**-**	153
Balance 30 June	**(4,469,457)**	(4,232,045)

Nature and purpose of reserves

Cash flow hedges
The cash flow hedges reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(l). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Share-based payments
The share-based payments reserve is used to recognise the fair value of long-term incentives issued but not exercised.

Foreign currency translation
Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in note 1(d) and accumulated in this reserve within equity.

Transactions with non-controlling interests
The transactions with non-controlling interests reserve was created as a result of the acquisition of an additional 3.75 per cent of the Airport Motorway Group during a prior year, and the acquisition of the remainder of Statewide Roads Limited and Devome Pty Limited in the current year, as the Group uses the economic entity approach to transactions with non-controlling interests.

21 Distributions

	2013 $'000	2012 $'000
Distribution payable		
Final distribution for 2013 financial year payable and recognised as a liability: 15.5 cents (2012: 15.0 cents) per fully paid Stapled Security payable 14 August 2013		
Fully franked (2012: fully franked) final dividend based on tax paid at 30% - 3.5 cents (2012: 3.5 cents) per fully paid Stapled Security	**51,856**	51,041
Unfranked final distribution - 12.0 cents (2012: 11.5 cents) per fully paid Stapled Security	**177,791**	167,707
	229,647	218,748
Distributions paid during the year		
Final distribution for 2012 financial year of 15.0 cents (2011: 14.0 cents) per fully paid stapled security paid 14 August 2012		
Fully franked dividend based on tax paid at 30% - 3.5 cents (2011: 0.0 cents) per fully paid Stapled Security	**51,041**	-
Unfranked distribution - 11.5 cents (2011: 14.0 cents) per fully paid Stapled Security	**167,707**	202,096
	218,748	202,096
Interim distribution for 2013 financial year of 15.5 cents (2012: 14.5 cents) per fully paid Stapled Security paid 14 February 2013		
Fully franked (2012: fully franked) dividend based on tax paid at 30% - 3.5 cents (2012: 3.5 cents) per fully paid Stapled Security	**51,183**	50,801
Unfranked distribution - 12.0 cents (2012: 11.0 cents) per fully paid Stapled Security	**175,486**	159,654
	226,669	210,455
Total distributions paid during the year	**445,417**	412,551
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the year ended 30 June 2013 and 2012		
Paid in cash	**410,848**	336,549
Satisfied by issue of Stapled Securities	**34,567**	76,001
Funds available to future distribution reinvestment plans	**2**	1
	445,417	412,551

21 Distributions (continued)

Distribution policy and free cash calculation

The Group's distribution policy is to align distributions with free cash from operations. The Group calculates free cash as follows:

	2013 $'000	2012 $'000
Cash flows from operating activities	**411,335**	373,243
Less Westlink M7 Term Loan Note interest received	**(46,367)**	(30,866)
Add back payments for maintenance and intangibles	**9,573**	27,731
	374,541	370,108
Less cash flows from operating activities - M1 Eastern Distributor and M4	**(38,660)**	(45,406)
Controlled cash	**335,881**	324,702
Add dividends and distributions received		
M1 Easter Distributor	**29,740**	43,183
M4 Statewide roads	**-**	354
M5 Interlink	**50,000**	53,500
Westlink M7 Term Loan Note interest	**46,366**	30,866
Less allowance for maintenance of capital expenditure for CityLink, Hills M2 and Lane Cove Tunnel and e-Tag expenditure	**(18,702)**	(19,208)
Free cash	**443,285**	433,397

	2013	2012
Weighted average securities on issue (millions)	**1,470**	1,453
Underlying free cash per security (cents) - weighted average securities	**30.1**	29.8
Free cash per security (cents) - weighted average securities	**30.1**	29.8
Securities on issue (millions)	**1,482**	1,458
Underlying free cash per security (cents) - securities on issue	**29.9**	29.7
Free cash per security (cents) - securities on issue	**29.9**	29.7

Franking credits

	2013	2012
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2012 - 30.0%)	**306,624**	319,886

22 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

Amounts received or due and receivable by PricewaterhouseCoopers

	2013 **$**	2012 $
Audit and other assurance services		
Audit and review of financial reports	**1,100,000**	1,100,000
Other assurance services	**124,800**	189,300
Total remuneration for PricewaterhouseCoopers	**1,224,800**	1,289,300
Total auditors' remuneration	**1,224,800**	1,289,300

23 Contingencies

Contingent liabilities

The Group and parent entity had contingent liabilities at 30 June 2013 in respect of:

Equity guarantee

Subsidiaries of Transurban DRIVe Holdings LLC (DRIVe), a related party of the Group, hold concession agreements with The Commonwealth of Virginia to construct and operate High Occupancy Toll (HOT) lanes on the 495 Express Lanes and 95 Express Lanes. The 495 Express Lanes opened for operation on 17 November 2012. The 95 Express Lanes project is currently in the construction phase. Construction is expected to be complete in late 2014.

On 31 July 2012, the Transurban Group, through the entities in the triple staple, being Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited (as responsible entity of the Transurban Holding Trust), entered into an agreement with 95 Express Lanes LLC, a subsidiary of DRIVe, the Virginia Department of Transportation and US Bank NA to provide an Equity Funding Guaranty (the Guarantee) over all of DRIVe's equity obligations associated with funding the equity contributions to the 95 Express Lane project.

The Group owns 75 per cent of the equity of DRIVe and recognises this investment in the consolidated financial statements using the equity method of accounting. DRIVe holds 90 per cent of the equity in 495 Express Lanes and 95 Express Lanes and, from time to time, is required to make equity contributions to fund the equity component of the 495 and 95 Express Lanes project costs. The total equity contribution DRIVe is obliged to make to 495 Express Lanes is US$313,825,757, of which the total payment had been paid at balance sheet date. The total contribution DRIVE is obliged to make to 95 Express Lanes is US$252,336,549 of which US$151,204,854 had been paid at balance sheet date.

In accordance with the DRIVe LLC Agreement, should a DRIVe member default on any capital calls, the Transurban Group has the right to acquire their share of DRIVe at a 50 per cent discount to its fair value. As such in the instance of the Guarantee being called, the Transurban Group may exercise its right to the interest in DRIVe at a discounted value.

23 Contingencies (continued)

Contingent assets

DRIVe capital sum
As a part of the establishment of DRIVe, DRIVe agreed to make a "capital sum" compensation payment to Transurban for contributing to DRIVe the right to negotiate the 495 Express Lanes and 95 Express Lanes.

The fee is payable to Transurban if the pre-financing/pre-tax net present value of 495 Express Lanes or 95 Express Lanes is positive as at financial close, when calculated three years after the completion of construction. Receipt of the capital sum is contingent on the projects achieving positive net present value at the strike date, and as such this amount has not been recognised on the balance sheet. Due to uncertainty associated with the amount and timing of the potential receipt, an asset has not been recognised.

24 Intra-group Guarantees

As at 30 June 2013, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security.

Under the stapling arrangement, each entity directly and/or indirectly supports each entity and its controlled entities within the Group on a continual basis.

25 Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2013 $'000	2012 $'000
Property, plant and equipment payable:		
Within one year	**-**	3,457
	-	3,457
Operating commitments payable:		
Within one year	**58,377**	38,590
Later than one year but not later than five years	**109,472**	75,912
Later than five years	**294,701**	312,573
	462,550	427,075
Intangible assets payable:		
Within one year	**62,103**	155,361
Later than one year but not later than five years	**972**	14,213
	63,075	169,574

25 Commitments (continued)

Lease commitments

	2013 $'000	2012 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**3,987**	4,059
Later than one year but not later than five years	**9,284**	12,812
Later than five years	**418**	496
	13,689	17,367

Sub-lease payments

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**-**	428
	-	428

Promissory Notes

Hills Motorway Management limited, as trustee of the Hills Motorway Trust, has entered into an agreement with the Roads and Maritime Services of New South Wales (RMS). Annual liabilities under this agreement total $7.0 million indexed annually to the Consumer Price Index over the estimated period that the M2 Motorway will be used. Until such time as a threshold return is achieved, payments under this agreement can be made at the discretion of the Responsible Entity, by means of the issue of non-interest bearing promissory notes to the RMS. For further information refer to note 18.

Concession Notes

The Eastern Distributor Project Deed between Airport Motorway Limited, Airport Motorway Trust and the RMS provides for annual concession fees of $15.0 million during the construction phase and for the first 24 years after the construction completion date of the Eastern Distributor.

Other operating leases

The Group leases various offices under non-cancellable operating leases expiring within one to eleven years. The leases have varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

26 Related party transactions

Transactions with associates

The following transactions occurred with related parties:

	2013 **$**	2012 $
Revenue from services		
Operating electronic tolling system for Westlink M7	**4,673,503**	8,451,418
Interest earned		
Term Loan Notes	**97,385,914**	91,328,563
M5 debt notes	**842,738**	11,952
	98,228,652	91,340,515

Transactions with joint venture

The following transactions occurred with joint ventures:

	2013 **$**	2012 $
Revenue from services		
Management and business development fees	**39,828,413**	19,550,291

Loans to/from joint ventures

	2013 **$**	2012 $
Receivable from joint venture	**5,786,612**	3,423,016

26 Related party transactions (continued)

Loans to/from associates

	2013 **$**	2012 $
Term loan notes		
Beginning of the year	**782,667,047**	724,225,296
Net interest capitalised	**48,978,572**	58,441,751
End of the year	**831,645,619**	782,667,047
M5 debt notes		
Beginning of the year	**8,724,600**	-
Amount paid	**22,495,031**	8,724,600
End of the year	**31,219,631**	8,724,600

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

Transactions with Director related parties

Refer to note 35 for Director related party transactions.

Term loan notes

The Term Loan Notes (TLN) earn interest at a fixed rate of 11.93 per cent until the earlier of 34 years and the termination of the Agreement to Lease between the RMS and Westlink Motorway Limited.

Any unpaid interest is capitalised and deemed to subscribe for further loan notes with an aggregate principal amount equal to that unpaid interest.

The TLN are classified as a held-to-maturity receivable. It is not classified as an investment for equity accounting purposes, and therefore has not been affected by equity accounting losses from the associate.

M5 debt notes

The M5 debt notes are Transurban's debt funding contribution to the M5 West Widening Project. The fixed maturity date of the notes is 10 years after financial close of the Project. The interest rate charged on these notes is fixed at 5.0 per cent for the first three years following financial close.

27 Subsidiaries and transactions with non-controlling interests

(a) Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2013 %	Equity holding 2012 %
CityLink Trust	Australia	Ordinary	**100**	100
CityLink Melbourne Limited	Australia	Ordinary	**100**	100
City Link Extension Pty Limited	Australia	Ordinary	**100**	100
Transurban Infrastructure Management Limited	Australia	Ordinary	**100**	100
Transurban Limited	Australia	Ordinary	**100**	100
Transurban Collateral Security Pty Limited	Australia	Ordinary	**100**	100
Transurban Finance Trust	Australia	Ordinary	**100**	100
Transurban Finance Company Pty Limited	Australia	Ordinary	**100**	100
Transurban Nominees Pty Limited	Australia	Ordinary	**100**	100
Transurban Nominees 2 Pty Limited	Australia	Ordinary	**100**	100
Transurban WSO Pty Limited	Australia	Ordinary	**100**	100
Transurban AL Trust	Australia	Ordinary	**100**	100
Transurban CARS Trust	Australia	Ordinary	**100**	100
Transurban WSO Trust	Australia	Ordinary	**100**	100
Roam Tolling Pty Limited	Australia	Ordinary	**100**	100
Transurban Retail Pty Limited	Australia	Ordinary	**100**	100
Transurban (USA) Holdings No.1 Pty Limited	Australia	Ordinary	**100**	100
Transurban (USA) Holdings No.2 Pty Limited	Australia	Ordinary	**100**	100
Transurban (USA) Holdings No.3 Pty Limited	Australia	Ordinary	**100**	100
Transurban Asset Management Pty Limited	Australia	Ordinary	**100**	100
Transurban Operations Pty Limited	Australia	Ordinary	**100**	100
Transurban Investments Pty Limited	Australia	Ordinary	**100**	100
The Hills Motorway Limited	Australia	Ordinary	**100**	100
Hills Motorway Management Limited	Australia	Ordinary	**100**	100
Hills Motorway Construction Company Pty Limited	Australia	Ordinary	**100**	100
Hills Motorway Underwriting No.1 Pty Limited	Australia	Ordinary	**100**	100
Hills Motorway Trust	Australia	Ordinary	**100**	100
LMI WSO Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
Abigroup WSO Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
Abigroup Westlink Partner Holding No.4 Pty Limited	Australia	Ordinary	**100**	100
Abigroup Westlink Partner No.4 Pty Limited	Australia	Ordinary	**100**	100
Abigroup WSO Holding No.4 Pty Limited	Australia	Ordinary	**100**	100
Abigroup Westlink Partner Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
Abigroup Westlink Partner No.2 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner Holding No.4 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner No.4 Pty Limited	Australia	Ordinary	**100**	100
LMI WSO Holding No.4 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner No.2 Pty Limited	Australia	Ordinary	**100**	100
Tollaust Pty Limited	Australia	Ordinary	**100**	100
Transurban (USA) Inc.	USA	Ordinary	**100**	100
Transurban (USA) Holdings Inc.	USA	Ordinary	**100**	100
Transurban (USA) Operations Inc.	USA	Ordinary	**100**	100
Transurban (895) General Partnership	USA	Ordinary	**100**	100

27 Subsidiaries and transactions with non-controlling interests (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding 2013 %	Equity holding 2012 %
T (895) Finance Trust	Australia	Ordinary	**100**	100
Transurban International Holdings Limited	Australia	Ordinary	**100**	100
Transurban DRIVe Management LLC	USA	Ordinary	**100**	100
Sydney Roads Limited	Australia	Ordinary	**100**	100
Sydney Roads Trust	Australia	Ordinary	**100**	100
Sydney Roads Management Limited	Australia	Ordinary	**100**	100
Airport Motorway Trust	Australia	Ordinary	**75.1**	75.1
Airport Motorway Holdings Pty Limited	Australia	Ordinary	**75.1**	75.1
Airport Motorway Limited	Australia	Ordinary	**75.1**	75.1
Airport Motorway Construction Company Pty Limited	Australia	Ordinary	**75.1**	75.1
AMT Management Limited	Australia	Ordinary	**100**	100
M5 Holdings Funding Trust	Australia	Ordinary	**100**	100
M5 Holdings Pty Limited	Australia	Ordinary	**100**	100
M4 Holdings No.1 Pty Limited	Australia	Ordinary	**100**	100
Devome Pty Limited	Australia	Ordinary	**100**	75
Statewide Roads Limited	Australia	Ordinary	**100**	50.61
SWR Services Pty Limited	Australia	Ordinary	**100**	50.61
Statewide Roads (M4) Pty Limited	Australia	Ordinary	**100**	50.61
SWR Operations Pty Limited	Australia	Ordinary	**100**	50.61
SWR Properties Pty Limited	Australia	Ordinary	**100**	50.61
Statewide Roads (M2) Pty Limited	Australia	Ordinary	**100**	50.61
LCT-MRE Pty Limited	Australia	Ordinary	**100**	100
LCT-MRE Nominees Pty Limited	Australia	Ordinary	**100**	100
LCT-MRE Trust	Australia	Ordinary	**100**	100
LCT-MRE Holdings Trust	Australia	Ordinary	**100**	100
LCT-MRE Holdings Pty Limited	Australia	Ordinary	**100**	100
LCT-MRE No.1 Pty Limited	Australia	Ordinary	**100**	100

(b) Transactions with non-controlling interests

On 2 May 2013, M4 Holdings No.1 Pty Limited, a wholly owned subsidiary of Transurban Holdings Limited, acquired all remaining shares in Devome Pty Limited and Statewide Roads Limited, for consideration of $3,231,582. The effect of changes in the ownership of Devome Pty Limited and Statewide Roads Limited on the equity attributable to owners of Transurban Holdings Limited during the year is summarised as follows:

	2013 $'000	2012 $'000
Carrying amount of non-controlling interests acquired	**2,241**	-
Consideration paid to non-controlling interests	**(3,232)**	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(991)**	-

There were no transactions with non-controlling interests in 2012.

28 Parent entity financial information

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2013 $'000	2012 $'000
Balance sheet		
Current assets	**993,983**	350,222
Non-current assets	**2,381,241**	2,359,945
Total assets	**3,375,224**	2,710,167
Current liabilities	**183,566**	154,357
Non-current liabilities	**2,306,762**	1,906,487
Total liabilities	**2,490,328**	2,060,844
Net assets	**884,896**	649,323
Shareholders' equity		
Contributed equity	**640,294**	607,190
Reserves	**1,582**	2,152
Retained earnings	**243,020**	39,981
	884,896	649,323
Profit for the year	**306,743**	72,591
Total comprehensive income	**306,743**	72,591

Guarantees entered into by the parent entity

There are cross guarantees given by Transurban Holdings Limited, Transurban Limited, Tollaust Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, Statewide Roads Limited and M5 Holdings Pty Limited as described in note 29.

Contingent liabilities of the parent entity

For details of contingent liabilities of the parent entity, refer to note 23.

29 Deed of cross guarantee

Transurban Holdings Limited, Transurban Limited, Tollaust Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, Statewide Roads Limited and M5 Holdings Pty Limited are party to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Transurban Holdings Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the years ended 30 June 2013 and 30 June 2012 for the parties to the deed of the cross guarantee.

	2013 $'000	2012 $'000
Income statement		
Revenue	**173,424**	115,999
Operating costs	**(115,060)**	(101,266)
Depreciation and amortisation expense	**(23,107)**	(15,223)
Net finance costs	**(131,648)**	(114,248)
Loss before income tax	**(96,391)**	(114,738)
Income tax benefit	**40,536**	34,660
Loss for the year	**(55,855)**	(80,078)
Statement of comprehensive income		
Profit (loss) for the year	**(55,855)**	(80,078)
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive income for the year	**(55,855)**	(80,078)
Summary of movements in consolidated retained earnings		
Accumulated losses at the beginning of the financial year	**(320,075)**	(138,264)
Profit (loss) for the year	**(55,855)**	(80,078)
Transfer of non-vesting portion of LTI from share-based payment reserve	**-**	109
Dividends provided for or paid	**(103,034)**	(101,842)
Adjustment for opening retained earnings of entities that joined the 'closed group'	**797**	-
Retained earnings at the end of the financial year	**(478,167)**	(320,075)

29 Deed of cross guarantee (continued)

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2013 and 30 June 2012 for the parties to the deed of cross guarantee.

	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	**55,326**	33,421
Trade and other receivables	**585,452**	387,894
Total current assets	**640,778**	421,315
Non-current assets		
Other financial assets	**1,560,274**	1,520,031
Property, plant and equipment	**167,638**	177,176
Deferred tax assets	**564,834**	536,066
Total non-current assets	**2,292,746**	2,233,273
Total assets	**2,933,524**	2,654,588
Current liabilities		
Trade and other payables	**1,338,761**	1,540,926
Provisions	**64,814**	63,815
Total current liabilities	**1,403,575**	1,604,741
Non-current liabilities		
Payables	**1,319,887**	719,961
Deferred tax liabilities	**35,569**	33,032
Provisions	**10,324**	7,586
Total non-current liabilities	**1,365,780**	760,579
Total liabilities	**2,769,355**	2,365,320
Net assets	**164,169**	289,268
Equity		
Contributed equity	**640,754**	607,190
Other reserves	**1,582**	2,153
Retained earnings	**(478,167)**	(320,075)
Total equity	**164,169**	289,268

Under the stapling arrangement, each entity directly and/or indirectly supports each entity and its controlled entities within the Transurban Group on a continual basis.

During the year, Statewide Roads Limited joined the closed group.

30 Events occurring after the reporting period

There are no unusual matters or circumstances that have arisen since the end of the financial year that have 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 financial years.

31 Reconciliation of profit after income tax to net cash inflow from operating activities

	2013 $'000	2012 $'000
Profit for the year	**174,541**	58,558
Depreciation and amortisation	**312,118**	301,641
Non-cash share-based payments expense	**6,627**	3,131
Non-cash finance costs	**8,400**	40,658
Share of net losses of equity accounted investments	**9,738**	137,946
Change in operating assets and liabilities:		
(Increase) decrease in debtors	**(10,128)**	143,732
Increase in concession and promissory note liability	**7,225**	1,562
Capitalised held to maturity investment interest	**(48,979)**	(60,192)
(Decrease) in operating creditors and accruals	**(9,217)**	(138,147)
Increase in other operating provisions	**4,528**	836
(Decrease) in provision for income taxes payable	**(8,510)**	(5,196)
Movement in deferred taxes	**(61,557)**	(112,388)
Increase in maintenance provision	**26,549**	1,102
Net cash inflow (outflow) from operating activities	**411,335**	373,243

32 Earnings per stapled security

Basic earnings per share

	2013 Cents	2012 Cents
Earnings per security attributable to the ordinary equity holders of the stapled group	**11.7**	3.8
	11.7	3.8

Diluted earnings per share

	2013 Cents	2012 Cents
Earnings per security attributable to the ordinary equity holders of the stapled group	**11.7**	3.8
	11.7	3.8

Reconciliation of earnings used in calculating earnings per security

	2013 $'000	2012 $'000
Basic and diluted earnings per security		
Profit for the year	**174,541**	58,558
Profit attributable to non-controlling interests	**(2,835)**	(3,653)
Profit attributable to ordinary equity holders of the stapled group used in calculating earnings per security	**171,706**	54,905

Weighted average number of securities used as denominator

	2013 Number	2012 Number
Weighted average number of securities used as the denominator in calculating basic and diluted earnings per security	**1,470,495,508**	1,452,932,838

32 Earnings per stapled security (continued)

Weighted average number of securities used as denominator (continued)

Basic earnings per stapled security
Basic earnings per stapled security is calculated by dividing the profit (loss) attributable to members of the stapled security excluding any non-controlling interest and costs of servicing equity other than distributions, by the weighted average number of securities outstanding during the financial year.

Diluted earnings per stapled security
Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings per stapled security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential stapled securities and the weighted average number of additional stapled securities that would have been outstanding assuming the conversion of all dilutive potential stapled securities.

33 Net tangible asset backing

	2013 **$**	2012 $
Net tangible asset backing per stapled security*	**2.10**	2.21

(*) - Net tangible assets used as the basis for this calculation include the concessions and permits relating to the operational assets of the Group. Assets of this type are characterised as intangibles under Australian Accounting Standards.

34 Share-based payments

Performance Awards Plan

Under the Performance Awards Plan (PAP), eligible executives receive a grant of Performance Awards which entitles participants to receive securities at no cost subject to the achievement of performance conditions. The Board has discretion as to the form of the award at the end of the performance period and may grant cash payments of equivalent value at vesting. No dividends or distributions on securities are payable to participants prior to vesting.

Dual performance measures (Free Cash Flow (FCF) (from 1 July 2011) or earnings before interest, tax, depreciation and amortisation (EBITDA) measure (pre 1 July 2011) and relative total security holder return (TSR) apply to Performance Awards, each representing 50 per cent of the award. The use of dual measures balances the need to both improve the underlying performance of the business over the long term as well as appropriate returns relative to the market.

Performance Awards were granted with a three year vesting period. For the plan granted 11 December 2009 and future grants, the awards are tested at the end of the three year vesting period. However, for the 1 November 2008 grant, the awards were tested at the end of each year. If the performance measures were satisfied for the year, one third of the awards were preserved until the end of the three year period. At the end of the three years a cumulative test of the performance measures was applied to any unvested awards.

34 Share-based payments (continued)

Performance Awards Plan (continued)

Grant date	Vesting / Expiry date	Fair value at grant date TSR	EBITDA	FCF	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2013									
11 Dec 2009	11 Dec 2012	$3.33	$4.97	N/A	1,625,994	-	(1,624,766)	(1,228)	-
1 Nov 2010	1 Nov 2013	$3.23	$4.62	N/A	1,201,077	-	-	(278,601)	922,476
23 Dec 2010	1 Nov 2013	$3.33	$4.97	N/A	684,683	-	-	-	684,683
26 Sep 2011	30 Jun 2014	$3.37	N/A	$4.63	661,932	-	-	(241,060)	420,872
11 Nov 2011	30Jun 2014	$3.27	N/A	$4.81	715,024	-	-	-	715,024
15 Aug 2012	30 Jun 2015	$2.72	N/A	$4.99	-	747,201	-	(267,099)	480,102
19 Oct 2012	30 Jun 2015	$2.95	N/A	$5.43	-	448,400	-	-	448,400
Total					4,888,710	1,195,601	(1,624,766)	(787,988)	3,671,557
Weighted average exercise price					$4.06	$3.98	$4.15	$3.92	$4.02

Grant date	Vesting / Expiry date	Fair value at grant date TSR	EBITDA	FCF	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2012									
1 Nov 2008	1 Nov 2011	$3.30	$4.27	N/A	1,260,113	-	(1,193,516)	(66,597)	-
11 Dec 2009	11 Dec 2012	$3.33	$4.97	N/A	1,776,583	-	-	(150,589)	1,625,994
1 Nov 2010	1 Nov 2013	$3.23	$4.62	N/A	1,401,575	-	-	(200,498)	1,201,077
23 Dec 2010	1 Nov 2013	$3.33	$4.97	N/A	684,683	-	-	-	684,683
26 Sep 2011	30 Jun 2014	$3.37	N/A	$4.63	-	837,990	-	(176,058)	661,932
11 Nov 2011	30 Jun 2014	$3.27	N/A	$4.81	-	715,024	-	-	715,024
Total					5,122,954	1,553,014	(1,193,516)	(593,742)	4,888,710
Weighted average exercise price					$4.00	$4.02	$3.79	$3.99	$4.06

Executive Equity Plan

Equity awards were granted under the Executive Equity Plan (EEP) based on executives' performance and were designed to encourage retention of executives while focusing on business excellence.

Individuals who are high performers and in business critical roles were nominated for awards for their past contribution and expected future performance. Board approval was required to grant EEP awards to nominated executives.

Under the EEP, eligible executives received a grant of stapled securities in the Transurban Group ("securities") at no cost that are subject to disposal restrictions for three years from the grant date. Participants are entitled to distributions paid on their Securities during the restriction period. If the executive ceases employment with Transurban during the restriction period, their Securities will be forfeited unless the Board decides otherwise.

Awards were last made under the EEP on 1 November 2008 and vested on 1 November 2011. The table below provides details of the awards granted and vested.

34 Share-based payments (continued)

Executive Equity Plan (continued)

Grant date	Vesting / Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2012							
1 Nov 2008	1 Nov 2011	$4.27	433,722	-	(433,722)	-	-
Total			433,722	-	(433,722)	-	-
Weighted average exercise price			$4.27	$-	$4.27	$-	$-

Assessed fair value

The assessed fair value at grant date of the plans above has been independently determined in accordance with AASB 2.

The TSR component of the Performance Awards has been valued applying a Monte-Carlo simulation (of a geometric Brownian motion process, as used in the Black-Scholes framework) to model Transurban's future security price and TSR performance against the comparator group performance at vesting date. The valuation model takes into account the term of the award, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the award.

The Free Cash component of performance awards has been valued using the Black-Scholes framework. The model valuation takes into account the term of the award, the security price at grant date, the expected dividend yield and the risk free interest rate for the term of the award.

Performance Awards Plan - CEO Sign On Award Plan

Scott Charlton received a one-off grant of equity as a sign-on award in recognition of the incentives forfeited with his former employer by joining Transurban. The awards were awarded at no cost to Scott and will vest, subject to his continued employment with Transurban as described in his employment contract, in three equal tranches on each of the tranches vesting dates. Upon vesting, the awards will automatically exercise and settle in securities. No dividends or distributions on securities are payable prior to vesting.

Grant date	Vesting / Expiry date	Fair value at grant date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2013							
14 Sep 2012	16 Jul 2013	$5.71	-	78,752	-	-	78,752
14 Sep 2012	16 Jul 2014	$5.71	-	78,752	-	-	78,752
14 Sep 2012	16 Jul 2015	$5.71	-	78,752	-	-	78,752
Total			-	236,256	-	-	236,256
Weighted average exercise price			$-	$5.71	$-	$-	$5.71

Short Term Deferred Incentive Plan

Mandatory short term incentive (STI) deferral of 30 per cent of the STI awarded to the CEO and other Senior Executives was introduced in the year ended 30 June 2012. The deferral component was increase to 50% during the year ended 30 June 2013 for the CEO and all other newly appointed senior executives. The deferral period is three years (comprising the first year as the performance period and a two year trading restriction). Vesting occurs at the end of the two year deferral period, subject to continued employment with the Transurban Group and can be exercised at vesting date.

34 Share-based payments (continued)

Short Term Deferred Incentive Plan (continued)

Grant date	Vesting / Expiry date	Fair value at grant date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2013							
15 Aug 2012	1 Jul 2014	$5.68	-	642,388	-	-	642,388
Total			-	642,388	-	-	642,388
Weighted average exercise price			$-	$5.68	$-	$-	$5.68

The fair value at grant dates in both the deferred STI plan and the CEO sign-on awards plan have been determined in accordance with AASB 2 by using a volume weighted average price (VWAP) over a specified period of time.

Employee security scheme

The Transurban Employee Security Ownership Plan (the Plan) provides employees with an opportunity to be a part owner of Transurban and partner in its continued success.

All Australian based permanent employees are eligible to participate in the Investment Tax Exempt Plan and the Investment Tax Deferred Plan. Under the plans, Transurban provides participants with a matching component toward the acquisition of the Stapled Securities. For the period 1 July 2012 to 30 June 2013, the cost of company matches was $132,162 (2012: $114,459) for the Investment Tax Exempt Plan and $450,374 (2012: $391,708) for the Investment Tax Deferred Plan.

The third element under the Plan is the Incentive Plan. Subject to Board approval and the performance of the Group, eligible employees may receive a certain number of Transurban securities at no cost to them. In February 2013, each participant was allocated 100 stapled securities at a value of $6.12 per security. Stapled securities provided under the Plan were acquired on the open market. Eligible US based participants received an equivalent cash award.

	2013 Number	2012 Number
Shares purchased on market under the plan and provided to participating employees	**45,900**	42,200

Expenses arising from share-based payments

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was $6.6 million (2012: $3.1 million).

35 Key management personnel disclosures

Directors

The following persons were Directors of THL, TIML and TIL during the financial year and up until the date of this report, except as noted below:

Executive Directors
Scott Charlton (appointed 16 July 2012)
Christopher Lynch (resigned 16 July 2012)

Non-executive Directors
Lindsay Maxsted (Chairman)
Neil Chatfield
Robert Edgar
Samantha Mostyn
Robert Officer (resigned 7 August 2012)
Christine O'Reilly
Rodney Slater
Ian Smith

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

J Aument *	Group General Manager, North America (appointed 10 June 2013)
W Ballantine *	Group General Manager, Strategy (appointed 26 November 2012)
K Daley	President, International Development (resigned 2 February 2013)
A Head	Group General Manager, New South Wales
S Hogg	Chief Financial Officer
S Johnson *	Group General Manager, Human Resources (appointed 8 October 2012)
M Kulper	President, Transurban North America
E Mildwater	Group General Manager, Victoria (resigned 31 March 2013)
T Steinhilber *	Group General Manager, Project Delivery and Operational Excellence (appointed 10 December 2012)
L Tobin	Group General Manager, Technology (appointed 4 February 2013)
V Vassallo	Group General Manager, Victoria (appointed 4 February 2013)

* Executives promoted from within the Group

Key management personnel compensation

The remuneration amounts below represent the entire amounts paid by the Transurban Group.

	2013 **$**	2012 $
Short-term employee benefits	**10,755,270**	12,452,823
Post-employment benefits	**232,743**	942,256
Long-term benefits	**25,335**	115,725
Share-based payments	**9,208,279**	4,870,066
Deferred STIs	**1,128,897**	489,289
	21,350,524	18,870,159

35 Key management personnel disclosures (continued)

Key management personnel compensation (continued)

Detailed remuneration disclosures are made in the remuneration report in the Directors' report.

Equity instrument disclosures relating to key management personnel

Share-based payments
Details of short and long term incentives provided as remuneration and securities issued, together with terms and conditions of the incentives, can be found in the remuneration report in the Directors' report.

Performance Awards Plan

2013	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the Group						
S Charlton	-	684,656	-	-	684,656	
C Lynch *	2,016,918	-	(617,211)	(1,399,707)	-	-
Other key management personnel of the Group						
J Aument	39,365	-	(17,768)	-	21,597	
W Ballantine	44,471	-	(20,030)	-	24,441	
K Daley	284,440	137,167	(111,276)	(310,331)	-	-
A Head	257,636	112,754	(59,347)	-	311,043	-
S Hogg	214,633	125,696	(47,478)	-	292,851	-
S Johnson	52,771	-	(23,145)	-	29,626	-
M Kulper	491,675	178,830	(161,956)	-	508,549	-
E Mildwater	265,055	112,754	(66,766)	(311,043)	-	-
T Steinhilber	53,777	-	(25,022)	-	28,755	
L Tobin	-	-	-	-	-	
V Vassallo	-	-	-	-	-	

* The individual is not key management personnel at 30 June 2013, therefore their closing balance has been reduced to zero through "other changes during the year" in the table above.

2012	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the Group						
C Lynch	1,785,615	715,024	(458,156)	(25,565)	2,016,918	-
Other key management personnel of the Group						
K Daley	223,297	128,294	(63,602)	(3,549)	284,440	-
A Head	196,382	107,766	(44,054)	(2,458)	257,636	-
S Hogg	136,569	101,320	(22,027)	(1,229)	214,633	-
T Honan	545,513	171,058	(220,267)	(496,304)	-	-
M Kulper	477,811	159,286	(137,736)	(7,686)	491,675	-
E Mildwater	186,359	107,766	(27,534)	(1,536)	265,055	-

35 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Stapled Security holdings
The numbers of Stapled Securities held during the financial year by each Director of THL and other key management personnel of the Group, including their personally-related parties, are set out below.

2013	Balance at start of the year	Other changes during the year	Balance at end of the year
Directors of the Group			
L Maxsted	30,000	-	30,000
N Chatfield	30,910	-	30,910
R Edgar	23,733	857	24,590
S Mostyn	10,300	3,700	14,000
R Officer *	20,115	(20,115)	-
C O'Reilly	-	4,363	4,363
R Slater	-	-	-
I Smith	70,000	1,772	71,772
S Charlton	-	10,000	10,000
C Lynch *	713,563	(713,563)	-
Other key management personnel of the Group			
J Aument	-	-	-
W Ballantine	2,889	1,099	3,988
K Daley *	384,678	(384,678)	-
A Head	3,041	-	3,041
S Hogg	1,553	10,000	11,553
S Johnson	19,129	10,467	29,596
M Kulper	80,000	-	80,000
E Mildwater *	56,066	(56,066)	-
T Steinhilber	-	-	-
L Tobin	-	-	-
V Vassallo	10,018	520	10,538

* These individuals are not key management personnel at 30 June 2013, therefore their closing balance has been reduced to zero through "other changes during the year" in the table above.

35 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Stapled Security holdings (continued)

2012	Balance at start of the year	Other changes during the year	Balance at end of the year
Directors of the Group			
L Maxsted	30,000	-	30,000
N Chatfield	20,910	10,000	30,910
G Cosgriff	152,236	(152,236)	-
J Davis	158,188	(158,188)	-
R Edgar	18,627	5,106	23,733
S Mostyn	-	10,300	10,300
R Officer	19,089	1,026	20,115
C O'Reilly	-	-	-
R Slater	-	-	-
I Smith	-	70,000	70,000
J Eve	-	-	-
J Keyes	-	-	-
C Lynch	255,401	458,162	713,563
S Charlton	-	-	-
Other key management personnel of the Group			
K Daley	384,678	-	384,678
A Head	21,112	(18,071)	3,041
S Hogg	15,616	(14,063)	1,553
T Honan	94,820	(94,820)	-
M Kulper	103,944	(23,944)	80,000
E Mildwater	27,098	28,968	56,066

Executive Equity Plan (EEP)

2012	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C Lynch	79,647	-	(79,647)	-	-	-
Other key management personnel of the Group						
K Daley	19,146	-	(19,146)	-	-	-
A Head	19,146	-	(19,146)	-	-	-
S Hogg	15,316	-	(15,316)	-	-	-
T Honan	85,474	-	(85,474)	-	-	-
M Kulper	23,944	-	(23,944)	-	-	-
E Mildwater	19,146	-	(19,146)	-	-	-

35 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Deferred Short Term Incentives (STI)

2013	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the group						
S Charlton	-	-	-	-	-	-
C Lynch *	-	133,099	-	(133,099)	-	-
Other key management personnel of the Group						
J Aument	-	14,789	-	-	14,789	-
W Ballantine	-	15,212	-	-	15,212	-
K Daley *	-	26,742	-	(26,742)	-	-
A Head	-	22,449	-	-	22,449	-
S Hogg	-	18,973	-	-	18,973	-
S Johnson	-	16,540	-	-	16,540	
M Kulper	-	36,464	-	-	36,464	-
E Mildwater *	-	19,863	-	(19,863)	-	-
T Steinhilber	-	19,356	-	-	19,356	-
L Tobin	-	-	-	-	-	-
V Vassallo	-	-	-	-	-	-

* These individuals are not key management personnel at 30 June 2013, therefore their closing balance has been reduced to zero through "other changes during the year" in the table above.

Other transactions with Directors and key management personnel

Mr Rodney Slater is a Partner in the public policy practice group of Patton Boggs. Transurban used Patton Boggs during the year for various lobbying activities in the US. This relationship is based on normal commercial terms. $226,692 (USD) was paid to Patton Boggs during the year ended 30 June 2013.

Mr Lindsay Maxsted is Chairman and a Non-executive Director of Westpac Banking Corporation. Westpac provides transactional banking and loan facilities to Transurban. This relationship is based on normal commercial terms.

Mr Neil Chatfield is Chairman and a Non-executive Director of Seek Limited who provides employment advising services to Transurban. This relationship is based on normal commercial terms.

Mr Chatfield is also Chairman of, and Ms Sam Mostyn is a Non-executive Director of, Virgin Australia Holdings Limited. Transurban uses air travel services provided by Virgin Australia. This relationship is based on normal commercial terms.

36 Non-cash investing and financing activities

	2013 $'000	2012 $'000
Distributions satisfied by the issue of stapled securities under the distribution reinvestment plan	**34,567**	76,001
	34,567	76,001

37 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 Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes
The Group is subject to income taxes in Australia and USA. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. However, the utilisation of tax losses also depends on the ability of the Group to satisfy certain tests at the time the losses are recouped. In the USA tax losses generally expire after a 20 year period. Management has reviewed the potential future taxable profits and has therefore recognised deferred tax assets in relation to tax losses.

Useful lives of plant and equipment
The Group determines the estimated useful lives and related depreciation for its plant and equipment. This estimate is based on expected useful lives of technology. It could change significantly as a result of technical innovations. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or writedown technically obsolete or non-strategic assets.

The Group depreciates the assets associated with the various toll road infrastructure over the life of the respective concession arrangements.

Estimated impairment of intangible assets and cash generating units
The Group tests whether goodwill, other intangible assets and cash generating units have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amount of each cash generating unit has been determined based on the greater of value-in-use and fair value less costs to sell calculations. These calculations require the use of assumptions regarding traffic flows, discount rates, growth rates and other factors affecting operating activities of the cash generating units.

37 Critical accounting estimates and judgements (continued)

Valuation of Promissory Notes and Concession Notes
The Group holds non-interest bearing long term debt, represented by promissory notes and concession notes, that are included in the financial statements at the present value of expected future payments. The calculations to discount these notes to their present value are based on the estimated timing and profile of the repayments. Assumptions are made in determining the timing and profile, based on expected available equity cash flows of the Group's cash generating units.

A discount rate is used to value the promissory notes and concession notes to their present value, which is determined through reference to other facilities in the market with similar characteristics.

Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

Provision for future major maintenance expenditure
The Group records a provision for its present obligation to maintain the Motorways held under Concession Deeds. The provision is included in the financial statements at the present value of expected future payments. The calculations to discount these amounts to their present value are based on the estimated timing and profile of expenditure occurring on the roads.

A discount rate is used to value the maintenance expenditure provision at its present value, which is determined through reference to the nature of the provision and the risks associated with the expenditure.

Assessment of control
The Group holds an equity interest of 75 per cent in Transurban DRIVe Holdings LLC (DRIVe). Whilst the Group owns greater than half of the voting rights of DRIVe, it does not have the power to govern its financial, investing and operating policies and accordingly is accounted for as a jointly controlled entity.

The power to govern DRIVe’s financial, investing and operating policies is through the “Meeting of Members”. 80 per cent or more of the membership interests of those voting is required to pass a decision of the Meeting of Members. Key decisions relating to the operations and financing of DRIVe, such as approval to bid for or dispose of an investment and approval of budgets, require approval by Members with member interests of 80 per cent or greater.

38 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally by the Transurban Group Treasury team (Treasury) under policies approved by the Board. Treasury work closely with the Group's operating units to actively identify and monitor all financial risks, and put hedging in place where appropriate. The Board are informed on a regular basis of any material exposures to financial risks.

The Group's hedging strategies are detailed below, and include the use of derivative financial instruments. The Group's policies allow derivative transactions to be undertaken only for the purpose of reducing risk, and do not permit speculative trading. Treasury continuously monitor risk exposures over time through review of cash flows, price movements, market analysis and ongoing communication within the Group. When measuring financial risk, Treasury consider positive and negative exposures, existing hedges and the ability to offset exposures where possible.

Market risk

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency exposures are viewed as either investment exposures or operating exposures. Exposures from investment in foreign assets are generally managed using foreign currency debt. All known material operating exposures out to 12 months are hedged, using hedging instruments, offsetting exposures or drawing on foreign currency funds.

The Group's exposure to foreign currency risk at the reporting date, denominated in the currency in which the rise arises, was as follows:

	30 June 2013		30 June 2012	
	USD$'000	**CAD$'000**	USD$'000	CAD$'000
Cash and cash equivalents	**4,483**	**4**	9,371	6
Net investment in foreign operation	**473,729**	**-**	245,226	-
Borrowings	**(1,361,409)**	**(250,000)**	(1,156,439)	(250,000)
Cross-currency interest rate swaps	**933,406**	**250,000**	933,406	250,000
Trade creditors	**(4,159)**	**-**	(6,123)	-
Net exposure	**46,050**	**4**	25,441	6

Exposure to other foreign exchange movements is not material.

38 Financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)
Sensitivity
Based on the financial instruments held at end of the period, had the Australian dollar strengthened/weakened by 10 cents against the U.S. dollar with all other variables held constant, the Group’s post-tax profit for the year would have been $24,000 lower (2012: $199,000 lower) or $30,000 higher (2012: $243,000 higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

The Group’s post-tax profit is less sensitive to movements in the Australian dollar/US dollar exchange rate in the current year due to a reduction in US dollar cash holdings and trade creditors.

Had the Australian dollar strengthened by 10 cents against the U.S. dollar with all other variables held constant, the Group's equity would have been $28,683,000 lower (2012: $26,801,000 lower). Had the Australian dollar weakened by 10 cents against the U.S. dollar with all other variables held constant, the Group's equity would have been $38,898,000 higher (2012: $35,819,000 higher). The Group revalues its U.S. dollar borrowings each period using market spot rates and, where a qualifying hedge is in place, defers these movements in equity. The volatility in equity is caused mainly by fair value movements of the cross currency interest rate swaps, which are affected by changes in forward Australian dollar/U.S. dollar foreign exchange rates.

Based on the financial instruments held at 30 June 2013, had the Australian dollar strengthened/weakened by 10 cents against the Canadian dollar with all other variables held constant, the Group’s post-tax profit for the year would have been unchanged, as a result of foreign exchange gains/losses on translation of Canadian dollar denominated financial instruments as detailed in the above table.

Had the Australian dollar strengthened by 10 cents against the Canadian dollar with all other variables held constant, the Group's equity would have been $2,824,000 lower (2012: $3,734,000 lower). Had the Australian dollar weakened by 10 cents against the Canadian dollar with all other variables held constant, the Group's equity would have been $3,972,000 higher (2012: $5,158,000 higher).

The Group revalues its foreign currency denominated borrowings each period using market spot rates and, where a qualifying hedge is in place, defers these movements in equity. The volatility in equity is caused mainly by fair value movements of the cross currency interest rate swaps, which are affected by changes in forward Australian dollar/foreign currency exchange rates.

Price risk
The Group is not exposed to price risk.

Cash flow interest rate risk
The Group’s main exposure to interest rate risk arises from long-term borrowings. Treasury manages interest rate risk by entering into fixed rate debt facilities or using interest rate swaps to convert floating rate debt. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group’s policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100 per cent. Covenant requirements vary by debt facility, and require a minimum of between 50 per cent and 80 per cent of interest rate exposure to be hedged. At 30 June 2013, 87 per cent (2012: 97 per cent) of the Group’s interest rate exposure on variable rate borrowings was hedged.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

38 Financial risk management (continued)

Market risk (continued)

Cash flow interest rate risk (continued)

	2013 Weighted average interest rate %	**2013** Balance $'000	2012 Weighted average interest rate %	2012 Balance $'000
Cash and cash equivalents	**3.6%**	**(259,385)**	4.2%	(318,148)
Floating rate borrowings	**3.9%**	**3,071,930**	5.0%	2,756,394
Interest rate swaps (notional principal amount)	**2.9%**	**(2,685,500)**	3.9%	(2,680,500)
Net exposure to cash flow interest rate risk		**127,045**		(242,254)

An analysis by maturities is provided in Liquidity risk below.

Sensitivity
At 30 June 2013, if interest rates had changed by +/-100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $1,270,000 lower/higher (2012: $2,423,000 higher/lower). Profit is less sensitive to movements in interest rates in 2013 than 2012, due mainly to an increase in floating rate borrowings, reducing the net exposure.

Credit risk

The Group has no significant concentrations of credit risk from operating activities, and has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history. However as an operator of large infrastructure assets, the Group is exposed to credit risk with its financial counterparties through undertaking financial transactions intrinsic to its business. These include funds held on deposit, cash investments and the market value of derivative transactions.

Treasury assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. Board approved limit allocation rules ensure higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy counterparties, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

The Group's investment in the Westlink Motorway is through Term Loan Notes (see note 10 for details). The return on these Notes is ultimately dependent on the performance of the Motorway. The Group continually monitors the performance and expected cash flows of the Motorway.

Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. Treasury assesses liquidity over the short term (up to 12 months) and medium term (one to five years) by maintaining accurate forecasts of operating expenses, committed capital expenditure and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

Short term liquidity is managed by maintaining a strategic liquidity reserve. This reserve is based on the Group's forecast annual operating costs and certain risk exposure scenarios as maintained by the Group's strategic risk register, and is maintained as cash and undrawn facilities. The reserve is maintained on a rolling 12 month basis. Medium term liquidity forecasting is maintained on a rolling five year horizon.

38 Financial risk management (continued)

Liquidity risk (continued)

Financing arrangements
The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2013 $'000	2012 $'000
Floating rate		
- Expiring within one year	**16,251**	130,000
- Expiring beyond one year	**201,696**	260,326
	217,947	390,326

The Group also has a letter of credit facility and a general credit facility in place with undrawn capacity of $22.0 million at 30 June 2013 (refer to note 16).

The facilities are committed for the term of the facility and cannot be withdrawn by the lenders without notice.

Maturities of financial liabilities
The tables below analyse the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities At 30 June 2013	**1 year or less $'000**	**Over 1 to 2 years $'000**	**Over 2 to 3 years $'000**	**Over 3 to 4 years $'000**	**Over 4 to 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives								
Non-interest bearing	**321,374**	**-**	**-**	**-**	**-**	**390,101**	**711,475**	**380,329**
Variable rate	**303,958**	**1,168,217**	**652,860**	**536,838**	**445,311**	**303,031**	**3,410,215**	**3,071,930**
Fixed rate	**358,268**	**224,839**	**414,048**	**199,485**	**225,918**	**1,286,831**	**2,709,389**	**1,865,561**
Total non-derivatives	**983,600**	**1,393,056**	**1,066,908**	**736,323**	**671,229**	**1,979,963**	**6,831,079**	**5,317,820**
Derivatives								
Net settled (interest rate swaps)	**97,023**	**72,057**	**41,041**	**22,383**	**10,716**	**7,710**	**250,930**	**228,074**
Net settled (cross-currency interest rate swaps/fx forwards)	**6,948**	**30,286**	**26,793**	**31,413**	**24,579**	**15,365**	**135,384**	**125,937**
Total derivatives	**103,971**	**102,343**	**67,834**	**53,796**	**35,295**	**23,075**	**386,314**	**354,011**

38 Financial risk management (continued)

Liquidity risk (continued)

At 30 June 2012	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives								
Non-interest bearing	309,898	-	-	-	-	364,402	674,300	361,587
Variable rate	123,679	431,043	1,088,528	359,111	449,192	750,145	3,201,698	2,756,393
Fixed rate	100,689	352,609	219,581	409,350	195,455	1,491,626	2,769,310	1,733,004
Total non-derivatives	534,266	783,652	1,308,109	768,461	644,647	2,606,173	6,645,308	4,850,984
Derivatives								
Net settled (interest rate swaps)	82,976	80,993	60,146	39,382	28,586	20,800	312,883	280,552
Net settled (cross-currency interest rate swaps/fx forwards)	19,742	16,817	47,602	39,932	41,806	94,703	260,602	224,642
Total derivatives	102,718	97,810	107,748	79,314	70,392	115,503	573,485	505,194

Fair value measurements

The carrying value of financial assets and financial liabilities brought to account at balance sheet date approximates fair value.

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

The Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2013 and 30 June 2012:

38 Financial risk management (continued)

Fair value measurements (continued)

30 June 2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Derivatives used for hedging	**-**	**10,898**	**-**	**10,898**
Total assets	**-**	**10,898**	**-**	**10,898**
Liabilities				
Derivatives used for hedging	**-**	**364,909**	**-**	**364,909**
Total liabilities	**-**	**364,909**	**-**	**364,909**

30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	-	137	-	137
Total assets	-	137	-	137
Liabilities				
Derivatives used for hedging	-	505,331	-	505,331
Total liabilities	-	505,331	-	505,331

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of both cross-currency interest rate swaps and interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. All these instruments are included in level 2.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 49 to 134 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with separate resolutions of the Directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited and Transurban International Limited.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
1 August 2013

Independent auditor's report to the members of Transurban Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Transurban Holdings Limited (the Company), which comprises the balance sheet as at 30 June 2013, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban Holdings Limited Group (the Group). The Group comprises the aggregation of Transurban Holdings Limited (THL), Transurban Holding Trust (THT) and Transurban International Limited (TIL) and the entities they controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, Southbank, GPO Box 1331L, MELBOURNE VIC 3001
DX 77 Melbourne, Australia
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

pwc

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Transurban Holdings Limited 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 2013 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;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 45 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Transurban Holdings Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
1 August 2013