asx release

5 August 2014

Transurban Group 2013/14 Full-Year Results

Please find attached the following:

1. ASX Appendix 4E for the year ended 30 June 2014; and
2. Transurban Holdings Limited and Controlled Entities Financial Statements for the year ended 30 June 2014.

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Company Secretary

Investor and media enquiries

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Transurban Group
Appendix 4E
Year ended 30 June 2014

(Previous corresponding period:
Year ended 30 June 2013)

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 decreased 3.8 per cent to $1,150 million
- Total toll, fee and other road revenue increased by 12.9 per cent to $1,001 million
- Profit from ordinary activities after tax increased 44.0 per cent to $252 million
- Net profit attributable to members increased 64.0 per cent to $282 million
- Profit before depreciation and amortisation, net finance costs, equity accounted investments and incomes taxes increased 12.2 per cent to $759 million

Proportional results

- Toll revenue increased 12.6 per cent to $1,117 million
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by 12.8 per cent to $934 million
- Free cash increased 29.0 per cent to $572 million

Distributions

	Amount per Security cents	Franked amount per Security %
Final distribution (declared prior to balance date)	17.0	14.7
Final dividend (declared prior to balance date)	1.0	100
	18.0	
Interim distribution for the current year	13.5	-
Interim dividend for the current year	3.5	100
	17.0	
Final distribution (prior year)	12.0	-
Final dividend (prior year)	3.5	100
	15.5	
Record date for determining entitlements to distribution and dividend		30 June 2014
Date of payment of final distribution and dividend		14 August 2014

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 2014. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

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 prior to 4 June 2014 (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. An allowance is deducted for the maintenance capital provision recognised in 100 per cent owned assets.

Entities over which control has been gained or lost

The Group gained control of the following entities during the year ended 30 June 2014:

Name of company	**Date control gained**
CCT Motorway Group Holdings Pty Limited and subsidiaries	30 December 2013
Translink Operations Pty Limited	30 April 2014
Transurban DRIVe Holdings LLC and subsidiaries*	4 June 2014
Capital Beltway Express LLC*	4 June 2014

The Group did not lose control of any entities during the year ended 30 June 2014, and did not gain or lose control of any entities 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**	
	2014	2013	**2014**	2013
	%	%	**$'M**	$'M
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	**21**	18
Transurban DRIVe Holdings LLC*	**75.0**	75.0	**94**	(28)
			115	(10)

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.

*Control was established over Transurban DRIVe LLC as a result of a change in the ownership of a DRIVe subsidiary entity, Capital Beltway Express LLC. There has been no change in the direct ownership of DRIVe during the period. DRIVe was consolidated from 4 June 2014.

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
5 August 2014

*Control was established over Transurban DRIVe LLC as a result of a change in the ownership of a DRIVe subsidiary entity, Capital Beltway Express LLC. There has been no change in the direct ownership of DRIVe during the period. DRIVe was consolidated from 4 June 2014.

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 2014

Transurban Holdings Limited ABN 86 098 143 429
Annual report - 30 June 2014

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 2014.

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 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
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

Christine O'Reilly

Rodney Slater

Ian Smith

Executive Director

Scott Charlton

Result
The consolidated net profit for the year ended 30 June 2014 for the Group was $252 million (2013: $175 million). The profit attributable to ordinary equity holders of the Group was $282 million (2013: $172 million).

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:

	2014 $M	2013 $M
Distribution payable		
Final distribution for 2014 financial year payable and recognised as a liability: 18.0 cents (2013: 15.5 cents) per fully paid Stapled Security payable 14 August 2014		
Fully franked final dividend based on tax paid at 30% - 1 cent (2013: 3.5 cents) per fully paid Stapled Security	**19**	52
Unfranked final distribution – 14.5 cents (2013: 12.0 cents) per fully paid Stapled Security	**275**	178
Fully franked (2013: nil) final distribution based on tax paid at 30% - 2.5 cents (2013: nil) per fully paid Stapled Security	**47**	-
	341	230
Distributions paid during the year		
Final distribution for 2013 financial year of 15.5 cents (2012: 15.0 cents) per fully paid Stapled Security paid 14 August 2013		
Fully franked dividend based on tax paid at 30% - 3.5 cents (2012: 3.5 cents) per fully paid Stapled Security	**52**	51
Unfranked final distribution - 12 cents (2012: 11.5 cents) per fully paid Stapled Security	**178**	168
	230	219
Interim distribution for 2014 financial year of 17.0 cents (2013: 15.5 cents) per fully paid Stapled Security paid 14 February 2014		
Fully franked interim dividend based on tax paid at 30% - 3.5 cents (2013: 3.5 cents) per fully paid Stapled Security	**52**	51
Unfranked interim distribution - 13.5 cents (2013: 12.0 cents) per fully paid Stapled Security	**201**	176
	253	227
Total distributions paid during the year	**483**	446
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan		
Paid in cash	**418**	411
Satisfied by issue of Stapled Securities	**65**	35
	483	446

Operating and Financial Review – Year ended 30 June 2014

Business review

Transurban manages and develops urban toll road networks in Australia and the United States of America. Transurban is listed on the Australian Securities Exchange (ASX) and has been in business since 1996.

Transurban has a stake in fourteen roads in Melbourne, Sydney, Brisbane and in Virginia:

	Ownership	
	2014	2013
Melbourne, Australia		
CityLink	100%	100%
Sydney, Australia		
Hills M2	100%	100%
Lane Cove Tunnel	100%	100%
Cross City Tunnel (concession asset acquired on 26 June 2014)	100%*	N/A
Eastern Distributor (Airport Motorway Group)	75.1%	75.1%
Westlink M7	50%	50%
M5 South West	50%	50%
Brisbane, Australia (acquired on 2 July 2014)		
Gateway Motorway	62.5%	N/A
Logan Motorway	62.5%	N/A
CLEM7	62.5%	N/A
Go Between Bridge	62.5%	N/A
Legacy Way (under construction)	62.5%	N/A
Virginia, USA		
Pocahontas 895 (transferred to project lenders on 14 May 2014)	0%	75%
495 Express Lanes	94%	67.5%
95 Express Lanes (under construction)	77.5%	67.5%

*On 30 December 2013, the Group gained control of the Cross City Tunnel by acquiring 100% of the senior debt exposure from Royal Bank of Scotland. Between 30 December 2013 and 26 June 2014 the Group had control, but with a nil% interest (100% non-controlling interest). The Group subsequently purchased the concession asset from the receivers and managers on 26 June 2014, holding a 100% interest thereafter.

Operating and Financial Review – Year ended 30 June 2014 (continued)

In the year ended 30 June 2014 Transurban expanded its portfolio of assets with the acquisition of Cross City Tunnel in Sydney. Transurban also increased its interests in 495 Express Lanes and 95 Express Lanes in the US. Subsequent to year-end, a Transurban led consortium acquired Queensland Motorways in Brisbane, comprising four operating assets and the Legacy Way Tunnel which is currently under construction.

Having reached agreement with the New South Wales Government in May 2013 to work together to procure the design and construction price, Transurban announced the preferred contractor for the NorthConnex project in NSW. Transurban also announced an in-principle agreement with the Victorian Government under the Government's Unsolicited Proposals framework for a major co-ordinated upgrade to the western section of CityLink, the Bolte Bridge-West Gate Freeway interchange and the Tullamarine Freeway.

In addition, Pocahontas 895 was transferred to the project lenders in May 2014 and Transurban no longer has any operational or financial interest in the asset.

Business Framework and Strategy

At the heart of our business strategy is our desire to be a 'partner of choice' for our government clients and an organisation that meets the needs of our customers. To do that, we have to provide and be part of effective transportation solutions to support the growth and well-being of our cities.

At Transurban we do this through the effective management of our existing road networks, through our active involvement in the transport policy debate, and by applying our unique skills to the infrastructure challenges in our markets.

In delivering on this objective our business has fostered core capabilities in the following areas:

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

Transurban's target markets are the eastern seaboard of Australia and Virginia in the USA, part of the Washington, DC metro area.

Value drivers

The investment proposition for high quality toll road assets is 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, which is derived from traffic growth and inflation linked toll escalation across the portfolio of assets, is supported by effective maintenance of operations and customers. It is further enhanced by the effective application of technology in key areas including traffic management and tolling. In addition, value can be 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 NorthConnex project in Sydney and the upgrade to the western section of CityLink in Melbourne.

Financial performance

Performance indicators

Underlying proportional EBITDA (earnings before interest, tax, depreciation and amortisation) is the primary measure the Transurban Board uses to assess the operating performance of Transurban, with an aim to focus on operating results and associated cash generation. It reflects the contribution from individual assets to Transurban's operating performance and permits a meaningful assessment of the underlying performance of Transurban's assets.

Operating and Financial Review – Year ended 30 June 2014 (continued)

To arrive at the proportional result, non-controlling interests in Transurban's controlled roads are removed and Transurban's interests in non-controlled assets are included, in proportion to Transurban's ownership.

Free cash is the primary measure used to assess Transurban's cash generation. Free cash represents the cash available for distribution to security holders.

Year ended 30 June 2014 Highlights

Transurban's net profit for the year ended 30 June 2014 was $252 million. Toll revenue increased by 13.1 per cent to $906 million. The increase in toll revenue was driven by traffic and toll price growth across most of the asset portfolio, most notably Hills M2 following the completion of the Hills M2 Upgrade, and on CityLink.

The transfer of Pocahontas 895 to lenders resulted in a net after tax gain of $103.1 million, being Transurban's share of the profit recognised from the write-off of loans, offset by previously unrecognised losses.

Key highlights include:

- Transfer of Pocahontas 895 to project lenders in May 2014
- 495 Express Lanes re-capitalisation
- Completion of Hills M2 Upgrade in August 2013
- Acquisition of Cross City Tunnel
- Re-sheeting of CityLink's Burnley and Domain tunnels in late December and early January.

Subsequent to year end, on 2 July 2014, Transurban completed the acquisition of Queensland Motorways.

Financial position

Transurban has a market capitalisation of approximately $14.5 billion and at 30 June 2014, 1,896 million stapled securities were on issue. During the year, Transurban issued 405 million stapled securities as part of the capital raising to fund the acquisition of Queensland Motorways.

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 68.0 per cent of the total assets of Transurban. The duration of the asset concessions range from around 30 years to 80 years and for accounting purposes, the carrying values are amortised on a straight line basis over the duration of the concession.

Transurban's cash and cash equivalents balance at 30 June 2014 included funds raised through capital raising activities and held for the purpose of purchasing the Queensland Motorways, which was completed on 2 July 2014.

Operations and performance of Transurban's portfolio of assets – Year ended 30 June 2014

Transurban considers the primary measure of operating performance to be its underlying proportional EBITDA. To determine the proportional EBITDA, 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) 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 2014. This is shown for 100 per cent of each asset. The review of costs and revenue in the commentary below also refers to 100 per cent of the asset.

Operating and Financial Review – Year ended 30 June 2014 (continued)

Asset (and ownership %)	Traffic growth (%)	Toll revenue 2014 $'m	Toll revenue 2013 $'m	Variance $'m	Variance %	% of proportional toll revenue
CityLink (100%)	1.6%	$535	$496	$39	8.0%	47.9%
Hills M2 (100%)	13.8%	$193	$143	$50	34.7%	17.3%
Cross City Tunnel (100%)	N/A	$1	$0	$1	N/A	0.1%
Lane Cove Tunnel / MRE (100%)	8.9%	$69	$62	$7	12.0%	6.2%
M1 Eastern Distributor (75.1%)	2.3%	$105	$100	$5	4.8%	7.1%
Westlink M7 (50%)	8.1%	$231	$210	$21	10.2%	10.3%
M5 South West Motorway (50%)	(1.2%)	$187	$189	($2)	(0.7%)	8.4%
Pocahontas (75%) ($'USD)	N/A	$14	$16	($2)	(11.0%)	1.0%
495 Express Lanes (94%) ($'USD)	32.0%	$24	$7	$17	234.6%	1.7%

CityLink (Melbourne)

CityLink had continued traffic growth on all parts of the Asset. Toll revenue increased by 7.9 per cent, driven by a 1.6 per cent increase in traffic and a 4.7 per cent increase in toll prices. Western Link performed particularly well, seeing growth of 2.1 per cent, however both sections of the Asset were mildly affected by the re-sheeting of the Domain and Burnley tunnels in late December and early January, which required the closure of those tunnels during works.

Changes to the operational structure of the call centre, and a shift to electronic channels for communications led to a reduction in tolling expenses and direct employee costs.

Total CityLink costs have increased by $4 million to $105 million. CityLink's EBITDA margin continued to improve from 89.0 per cent to 90.3 per cent.

Hills M2 (Sydney)

The M2 Upgrade project was completed in August 2013 and resulted in a significant uplift in traffic year-on-year. The completion of the M2 Upgrade saw the majority of the Hills M2 return to normal lane configurations and operational status which contributed to overall traffic growth across the Hills M2. In addition to the M2 Upgrade, works were commenced on the maintenance of the Vimiera Road Embankment and construction of the Lane Cove Road eastbound on-ramp.

Year on year traffic growth on the Hills M2 was 13.8 per cent, which included traffic growth following completion of the M2 Upgrade project. This traffic increase, in addition to the toll price increase of 19.3 per cent effected on completion of the upgrade on the asset, resulted in a toll revenue increase of $50 million.

Costs on the Hills M2 increased in comparison to the previous year, however the asset's EBITDA margin increased to 84.1 per cent.

Operating and Financial Review – Year ended 30 June 2014 (continued)

Lane Cove Tunnel / MRE (Sydney)

Lane Cove Tunnel has observed strong traffic growth during the financial year as the constraints from the ongoing upgrade works on the connecting Hills M2 Motorway dissipated following completion of the M2 Upgrade Project.

Traffic growth for the tunnel was 9.6 per cent compared to the prior corresponding period, and 6.6 per cent on the Military Road e-Ramps, resulting in a $7 million increase in toll revenue in 2014. Tollaust Pty Limited (a Group company) continued to provide Operations and Maintenance services to Lane Cove Tunnel, and since April 2014 has taken on the role of Operator, using in-house resources. The EBITDA margin on Lane Cove Tunnel increased from 60.0 per cent to 73.0 per cent.

Cross City Tunnel (Sydney)

On 30 December 2013 Transurban acquired the senior debt exposure of the Cross City Tunnel Group which was in receivership. As a result of the debt acquisition Transurban was deemed to have gained control of the Cross City Tunnel Group and its controlled entities.

The acquisition reached financial close on 26 June 2014, when Transurban purchased the Cross City Tunnel concession asset from the receivers and managers. Transurban acquired this concession for $475 million plus stamp duty and transaction costs totalling $27 million. As at the end of the financial year work was well advanced on the integration of this asset into the broader Transurban portfolio.

Statewide Roads / M4 (Sydney)

In the year ended 30 June 2014 Statewide Roads contributed $2 million to the Group's EBITDA through rental income generated from service centre tenants. Statewide Roads is required to maintain the service centres and in the current year there was no significant maintenance expenditure of a capital nature.

M1 Eastern Distributor (Sydney)

The Eastern Distributor commenced three major capital works projects in 2014, which has resulted in elevated levels of maintenance capital expenditure on the asset:

1) New Roadside Tolling Equipment was installed during 2014 and user acceptance testing of this equipment commenced;
2) Resurfacing of the motorway, which was commenced as a part of a two year program of resurfacing works; and
3) Upgrade of the Operations Management and Control System ("OMCS"). The OMCS upgrade is scheduled for completion in 2016.

On 4 November 2013, the Eastern Distributor moved to quarterly integer tolling increases (previously 50 cent increments). This has contributed to an increase in toll revenue of $5 million.

M5 South West Motorway (Sydney)

The motorway's performance has been impacted in the current year by ongoing widening works. Traffic decreased compared to the prior year by 1.2 per cent, resulting in a decrease in revenue of 0.7 per cent to $187 million.

Despite traffic disruption during the widening, the EBITDA margin increased from 93.1 per cent to 94.9 per cent for the year ended 30 June 2014.

The M5 removed cash tolling on 1 July 2013 and now operates on fully electronic tolling.

Operating and Financial Review – Year ended 30 June 2014 (continued)

Westlink M7 (Sydney)

The performance of Westlink M7, particularly the northern section, has improved in 2014 due to the completion of the M2 Upgrade, with an increase in traffic of 8.1 per cent and an increase in revenue of $21 million to $231 million. The M7's EBITDA margin increased from 81.0 per cent to 83.6 per cent.

Pocahontas 895 (Virginia USA)

Transurban transferred ownership of Pocahontas 895 to lenders on 14 May 2014 and now has no financial or operational interests in the asset.

495 Express Lanes (Virginia USA)

The 495 Express Lanes traffic performance and share of corridor volume continued to increase over the year. Average workday revenue for the month of June 2014 increased 98.8 per cent over the month of June 2013. The average daily toll revenue for the year grew 105.4 per cent from the prior year. Average daily trips increased 32.0 per cent for the same period.

The average dynamic toll charged increased by 56.3 per cent from US$1.51 in 2013 to US$2.36 for 2014. The maximum dynamic toll charged during the year was US$11.85 to travel the full length of the Express Lanes.

On 29 May 2014, the 495 Express Lanes achieved record daily toll revenue.

<u>Free cash and cash flows from operations</u>

Free cash is calculated as:

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

Free cash for the year ended 30 June 2014 was $572 million. Free cash per security was 33.9 cents. The calculation of free cash can be found at note 22 to the statutory accounts. Free cash per security was impacted in the year by the issue of new securities to fund the acquisition of Queensland Motorways. All securities issued are entitled to the full final distribution and this dilutes the free cash. The distribution of 35 cent per security is 96.9 per cent cash covered for the year.

Business development activities

Acquisition of Queensland Motorways

In April 2014, a Transurban-led consortium (62.5 per cent Transurban, 25 per cent AustralianSuper and 12.5 per cent Tawreed, a wholly-owned subsidiary of the Abu Dhabi Investment Authority) reached agreement to acquire Queensland Motorways for $6,673 million, plus stamp duty and transaction costs totalling $447 million. Transurban will operate the network on behalf of the owners. Financial close was achieved on 2 July 2014.

Acquisition of Cross City Tunnel

The process to acquire Cross City Tunnel began when Transurban acquired the secured senior debt of the Cross City Tunnel Group from Royal Bank of Scotland in December 2013. Cross City Tunnel was in receivership at the time, with receivers and managers appointed to conduct a sale process.

The debt acquisition gave Transurban the right to remove and appoint the receivers and managers and therefore significant rights over the relevant activities of the Cross City Tunnel entities. In May 2014, Transurban entered into an agreement with members of the Cross City Tunnel Group (subject to deeds of company arrangement) (CCT Vendors), acting by their Receivers and Managers, to acquire CCT for approximately $475 million plus stamp duty and transaction costs. Financial close was achieved on 26 June 2014.

Operating and Financial Review – Year ended 30 June 2014 (continued)

95 Express Lanes (Virginia USA)

Construction on the project, which connects to the 495 Express Lanes, is now 85.0 per cent complete (US$594 million costs incurred to date), with the 95 Express Lanes due to open at the end of calendar year 2014. The 95 Express Lanes have a 75 year operating concession and the project represents a 29-mile extension to the 495 Express Lanes. Once complete the 95 and 495 Express Lanes network will include more than 40 miles of Express Lanes.

On 11 April 2014, Transurban acquired Fluor Enterprises Inc.'s 10 per cent interest in 95 Express Lanes LLC. After this acquisition, Transurban owns 77.5 per cent of 95 Express Lanes LLC.

495 Express Lanes (Virginia USA)

A review of the project was completed during the year, which resulted in downward adjustments to traffic and revenue projections. As a result, Transurban and Capital Beltway Express LLC worked with key stakeholders, including lenders, to implement changes to the capital structure to ensure it could be supported by the emerging revenue profile. On 11 April 2014, during the process to change the capital structure, Transurban acquired Fluor Enterprises Inc.'s 10 per cent interest in Capital Beltway LLC. On 4 June 2014, Capital Beltway Express LLC repaid US$433 million of debt and associated swap termination costs through US$281 million of additional equity investment from Transurban and the release of US$151 million of existing finance reserves. After this acquisition and the capital injection, Transurban owns 94 per cent of Capital Beltway Express LLC.

M5 South West Motorway Widening

Construction work on the M5 widening, which will expand the M5 South West Motorway from two to three lanes in each direction from King Georges Road, Beverly Hills to Camden Valley Way, Prestons, is now 80 per cent complete and is expected to be completed by December 2014.

NorthConnex

Having reached agreement with the New South Wales Government in May 2013 to work together to procure the design and construction price, in March 2014 Transurban announced the preferred contractor for the NorthConnex project. This project has now moved into the planning approval stage with the public display of the Environmental Impact Assessment. If approved, it is expected that work on NorthConnex would begin in 2015 with the project open for use in 2019.

CityLink – Tullamarine Widening

In April 2014, Transurban announced an in-principle agreement with the Victorian Government under the Government's Unsolicited Proposals framework for a major co-ordinated upgrade to the western section of CityLink, the Bolte Bridge-West Gate Freeway interchange and the Tullamarine Freeway ("CityLink – Tulla Widening"). The project is subject to the State and Transurban reaching final agreement on terms (including scope) and documentation (expected by late 2014).

Acquisition of TransLink Operations (TLO)

On 1 May 2014, the Group successfully acquired TransLink Operations ("TLO"). TLO manages the CityLink Traffic Control Room as well as other key aspects of CityLink operations, including incident response.

Operating and Financial Review – Year ended 30 June 2014 (continued)

Financing activities

Transurban continued to have success in financing activities in the year ended 30 June 2014.

August 2013	Refinanced $250 million corporate working capital facilities.
September 2013	Replaced $60 million corporate credit facilities.
October 2013	Raised Euro 500 million corporate bonds under Transurban's existing EMTN programme.
December 2013	Refinanced tranche A of Airport Motorway's bank debt with $300 million domestic MTNs.
April / May 2014	Raised A$175 million and US$93 million corporate bank facilities.
June 2014	Raised A$277 million non-recourse debt on Cross City Tunnel.

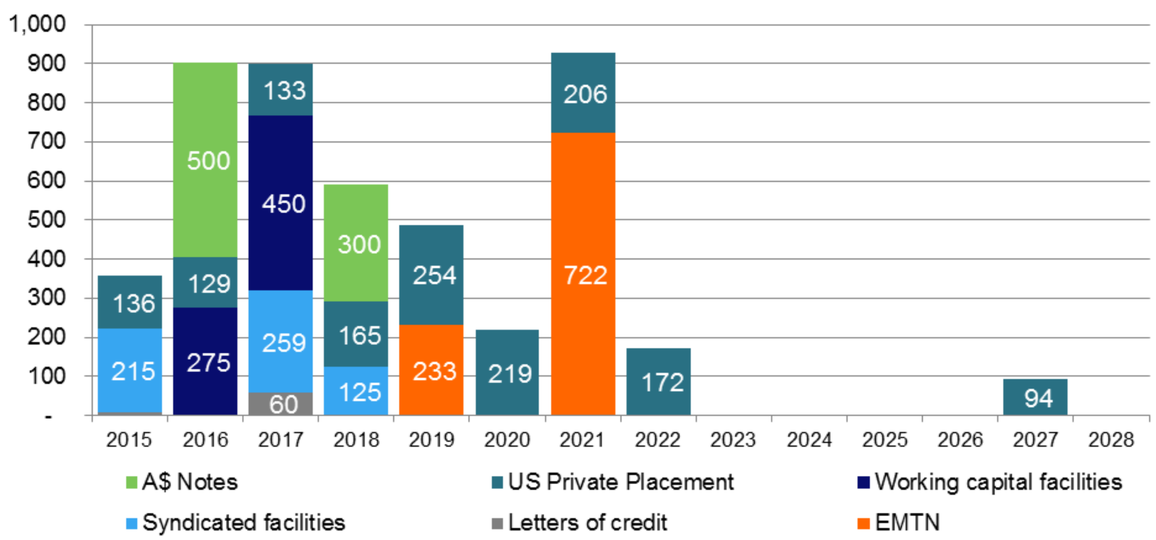
On 2 July 2014, the Group raised $2,900 million in non-recourse debt to fund the acquisition of Queensland Motorways, of which $2,500 million was drawn on that date.

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.

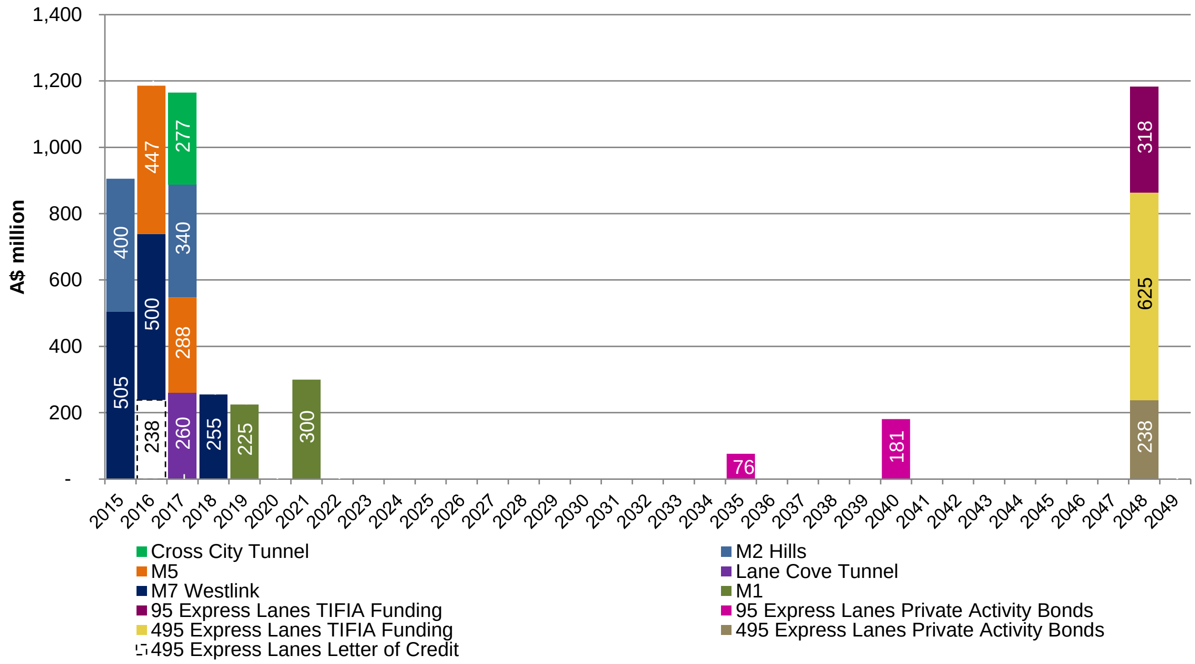
The debt values are shown at 30 June 2014 and Canadian dollar and US dollar debt has been converted at the hedged rate where cross currency swaps are in place. Unhedged US dollar debt has been converted to Australian dollars at spot exchange rate ($0.94 at 30 June 2014).

Corporate debt maturity profile



Operating and Financial Review – Year ended 30 June 2014 (continued)

Asset level debt maturity profile at 30 June 2014



Financial risk management

Transurban Group's exposure to financial risk management and its policies for managing that risk can be found in the Financial Risk Management notes of the attached accounts (note 40). That note discusses Transurban's hedging policies, credit risk, interest rate risk and liquidity and funding policies.

Corporate activities

Equity entitlement offer and share placement

In May 2014, Transurban completed a fully underwritten accelerated renounceable entitlement offer.

The Institutional Entitlement Offer raised gross proceeds of approximately $1.8 billion and resulted in the issue of approximately 264 million new Transurban stapled securities. Entitlements not taken up by eligible institutional security holders and entitlements of ineligible institutional security holders were sold and cleared in the institutional shortfall book build at $7.00 per security, a $0.25 per security premium over the offer price of $6.75 and a 2.4 per cent discount to the theoretical ex-rights price as of 23 April 2014 of $7.17 per security.

The Retail Entitlement Offer raised gross proceeds of approximately $557 million from the issue of approximately 83 million new securities at an issue price of $6.75 per security. Approximately 28.6 million of these new securities were sold in the bookbuild at a price of $7.21 per security, a $0.46 per security premium over the issue price of $6.75, a $0.21 per security premium over the institutional bookbuild price of $7.00, and a $0.10 per security discount to the last traded price of $7.31 per security.

A further $400 million was raised from placement of 58 million securities at a price of $6.95 per security to AustralianSuper and Tawreed.

Operating and Financial Review – Year ended 30 June 2014 (continued)

Changes in Executive Management

On 4 June 2014, Transurban appointed Wes Ballantine, Group General Manager, Strategy, to the role of Group General Manager, Queensland

On 14 July 2014, Samantha Hogg, Chief Financial Officer, left Transurban. Until a permanent replacement is appointed, Leigh Petschel, currently General Manager, Finance, will serve as Acting Chief Financial Officer.

Tim Steinhilber, Group General Manager, Project Delivery and Operational Excellence, transferred back to the USA in July 2014 and will support the delivery of the I95 project that is scheduled for completion at the end of 2014. Tony Adams, previously Vice President, Infrastructure, Major Projects, and based in the USA, will transfer to Australia as he assumed the role of Group General Manager, Project Delivery and Operational Excellence in July 2014.

People

Transurban's People Strategy focuses on the four areas of Leadership, Capability, Performance, and Wellbeing. These areas are underpinned by the Group values, as well as safety, diversity and sustainability.

Leadership

Transurban conducts a bi-annual 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.

Senior Leaders participated in a three day offsite in February 2014. The key theme of the program was driving for high performance and it is intended that this will become an annual event for the leadership group.

There has been a focus on building greater leadership capability through the middle management group during the reporting period. Activities to support this include the implementation of a Group Coaching program; cascading of activities from the Senior Leadership Program and the continuation of the Coaching and Mentoring program for female managers.

Capability

A framework identifying both behavioural and technical capabilities has been developed and is being used to assist in identifying key talent for future roles and determining potential gaps. This assists in developing strategies to build future capability. A technical career pathway program has also been developed. One area of continued focus is the Traffic Forecasting Group which is deemed fundamental to the ongoing success of the Group. Steps to enhance capability in this area have progressed.

Performance

Changes were made to the Short Term Incentive program aimed at enhancing this through increased performance differentiation, the introduction of formal performance comparisons against peers, and strengthening the link between individual and Group performance. A review of the Group's Benefits program was also undertaken, benchmarking current programs against market practice.

Wellbeing

A new Wellbeing framework has been developed, identifying the key areas of health; work; financial; values and staying connected. A suite of initiatives to support the framework are being introduced across Transurban. An employee volunteer program has been launched which includes the introduction of volunteer leave for all employees.

Operating and Financial Review – Year ended 30 June 2014 (continued)

Office moves in Melbourne and Sydney occurred with a focus on increasing collaboration and ensuring a healthier workspace. Activity based working was also introduced as part of this, which enables greater flexibility for employees in the way in which they work.

It has been twelve months since the launch of the refreshed Vision and Values. A Group wide Values Health Check was rolled out to see how and where teams are using the values and to ensure that behaviours continue to be aligned. This provided positive feedback as did the Employee pulse survey that was conducted in May 2014.

Sustainability

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

Transurban's Sustainability Strategy highlights three key focus areas: be good neighbours, use less, and think long term. By adopting and working to these principles, Transurban reinforces its 'licence to operate' and strengthens its ability to deliver efficient and integrated transport networks that support productivity and the wellbeing of its communities.

During the period, Transurban put into action the Sustainability Strategy. Some important highlights include developing a community investment strategy which saw the launch of the first corporate grants program, embedding sustainability requirements in the NorthConnex tender process and committing to reduce operational energy consumption by 10 per cent by 2023.

Transurban provides regular progress reports to the Board on the focus areas. The annual Sustainability Report summarises the year's activities, while also outlining commitments for the coming years.

The 2014 Sustainability Report will be published in October.

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
- 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.

Operating and Financial Review – Year ended 30 June 2014 (continued)

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 arrangement or as a result of government action
- Existence and development of, or changes to, competing roads, feeder roads and other means of transport
- A failure of key operating systems, including tolling systems, which impacts the ability to collect revenue
- 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
- 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 joint ventures and 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 to help create 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, no other significant changes have occurred in Transurban's state of affairs in the year ended 30 June 2014.

Matters subsequent to the end of the financial year

On 2 July 2014, the Group announced that the consortium comprising Transurban (62.5 per cent), AustralianSuper (25 per cent) and Tawreed Investments Limited (a wholly-owned subsidiary of the Abu Dhabi Investment Authority) (12.5 per cent) had reached financial close on the acquisition of Queensland Motorways for $6,673 million, plus stamp duty and transaction costs of $447 million.

As at the date of this report the Directors are not aware of any other circumstances that have arisen since 30 June 2014 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, that have not otherwise been disclosed in the financial report.

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

Other than matters already discussed above, any other potential likely 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.

Operating and Financial Review – Year ended 30 June 2014 (continued)

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 a partner of KPMG Australia and was the CEO of that firm from 2001 to 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.

As at the date of this report, Lindsay holds interests in 66,559 Stapled Securities.

Transurban Board Committee membership

Chairman of the Nomination Committee and a member of the Audit and Risk Committee.

Scott Charlton **BSci, MBA (Texas)**

Chief Executive Officer and Executive Director

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 entities and financial institutions, including as CFO of Leighton Holdings Limited (2007 to 2009) and as Managing Director of Deutsche Bank in Australia and Hong Kong (1995 to 2003).

As at the date of this report, Scott holds interests in 213,374 Stapled Securities, 909,444 performance awards (unlisted) and 108,486 STI deferred awards (unlisted).

Information on Directors (continued)

Neil Chatfield **M.Bus, FCPA, FAICD**

Independent Non-executive Director

Term of office
Director since 18 February 2009.

Neil is an established Executive and Non-executive Director with extensive experience across all facets of company management, and with specific expertise in 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 Recall Holdings Limited. Neil is also Honorary Chairman of HomeGround Services. He was previously a Non-executive Director of Grange Resources Limited (to April 2014) and of Whitehaven Coal Limited (to May 2012).

Neil previously served as Executive Director and the CFO of Toll Holdings (from 1997 to 2008).

As at the date of this report, Neil holds interests in 50,424 Stapled Securities.

Transurban Board Committee membership
Chairman 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.

As at the date of this report, Bob holds interests in 30,324 Stapled Securities.

Transurban Board Committee membership
Chairman 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 has significant experience in the Australian corporate sector both in Executive and Non-executive capacities, in particular in the areas of human resources, corporate and government affairs, sustainability management, and diversity.

Sam is currently a Non-executive Director of Virgin Australia Holdings Limited, Citigroup Pty Ltd, and Cover-More Group Limited. She is President of the Australian Council for International Development. She is also a Director of Australian Volunteers International, Australia Council for the Arts, Carriageworks, St James Ethics Centre Foundation, and the NSW Climate Change Council.

Sam is currently Deputy Chair of the Diversity Council Australia, and is a member of the advisory boards of ClimateWorks Australia and the Crawford School of Government and Economics, ANU. She is also a Commissioner of the Australian Football League.

Sam has previously held senior executive positions at IAG, Optus and Cable & Wireless plc.

As at the date of this report, Sam holds interests in 17,256 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 over 30 years' experience in the finance and infrastructure sectors in various roles including as Co-Head of Unlisted 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, EnergyAustralia Holdings Pty Ltd, Medibank Private, and Baker IDI, and is the Deputy Chair of CARE Australia.

As at the date of this report, Christine holds interests in 13,972 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 Squire Patton Boggs (US) LLP, 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.

As at the date of this report, 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 is currently the Managing Director and CEO of Orica Limited and serves as President of The Australian Mines and Metals Association. Previously, Ian was the Managing Director and CEO of Newcrest Mining, the Global Head of Operational and Technical Excellence at Rio Tinto, based in London, and Managing Director of Comalco Aluminium Smelting within the Rio Tinto Group. Prior to this, Ian held senior operational and project management roles with WMC Resources, Pasminco Limited and CRA Limited.

Ian was previously the Chairman of the Minerals Council of Australia and a Director of the Australian Chamber of Commerce and Industry.

Ian is a Fellow of both the Institute of Engineers Australia and the Australasian Institute of Mining and Metallurgy - from which he was awarded its highest honour, the Institute Medal, in June 2012.

As at the date of this report, Ian holds interests in 92,742 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 14 years of legal, company secretariat and other relevant experience. Prior to her in-house work, Amanda was a solicitor specialising in M&A work with Australian law firm King & Wood Mallesons.

Information on Directors (continued)

Julie Galligan LLB, BA
Julie joined Transurban in November 2008 and was appointed as General Counsel in February 2012. Julie has over 14 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 2014, 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	13	13	13	13	13	13
Scott Charlton	13	13	13	13	13	13
Neil Chatfield	13	13	13	13	13	13
Robert Edgar	13	13	13	13	13	13
Samantha Mostyn	13	13	13	13	13	13
Christine O'Reilly	13	13	13	13	13	13
Rodney Slater	13	13	13	13	13	13
Ian Smith	12	13	12	13	12	13

The number of meetings of each Board Committee held during the year ended 30 June 2014, 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(4)	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Lindsay Maxsted	6	6	5	*	2	2	12	12
Scott Charlton	6	*	5	*	2	*	12	12
Neil Chatfield	6	6	5	5	2	2	11	12
Robert Edgar	6	6	5	5	2	2	*	*
Samantha Mostyn	*	*	5	5	2	2	*	*
Christine O'Reilly	6	6	3	*	2	2	11	11
Rodney Slater	*	*	*	*	2	2	*	*
Ian Smith	1	*	2	*	1	*	*	*

* = Not a member of the relevant Committee

(1) Scott Charlton and Ian Smith were not members of the Audit and Risk Committee but attended meetings during the year.
(2) Lindsay Maxsted, Scott Charlton, Christine O'Reilly and Ian Smith were not members of the Remuneration and Human Resources Committee but attended meetings during the year. Scott Charlton was excluded from discussions involving his remuneration during meetings which he attended.
(3) Scott Charlton and Ian Smith were not members of the Nomination Committee but attended meetings during the year.
(4) Special purpose sub-committees were formed during the year to deal with matters relating to the Queensland Motorways bid submission and the due diligence process undertaken in connection with the equity raising for the acquisition of Queensland Motorways.

2014 REMUNERATION REPORT (AUDITED)

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 2014 (**FY2014**).

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
Current Senior Executives
Scott Charlton, Executive Director and Chief Executive Officer (CEO)
Jennifer Aument, Group General Manager, North America
Wesley Ballantine, Group General Manager, Queensland (from 4 June 2014, formerly Group General Manager, Strategy)
Andrew Head, Group General Manager, New South Wales
Samantha Hogg, Chief Financial Officer [(1)]
Sue Johnson, Group General Manager, Human Resources
Tim Steinhilber, Group General Manager, Delivery and Operational Excellence [(1)]
Lisa Tobin, Group General Manager, Technology
Vin Vassallo, Group General Manager, Victoria
Former Senior Executives
Michael Kulper, President North America (departed 3 September 2013)

[(1)] On 14 July 2014, the Group announced changes to KMP. Samantha Hogg departed the Group and Tim Steinhilber has transferred back to the USA. 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

The Transurban Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking pay to the achievement of the Group's strategy and business objectives and, ultimately, generating security holder value.

Transurban's remuneration framework is reviewed annually taking into consideration security holder and other stakeholder feedback, market expectations and regulatory developments.

At the 2013 Annual General Meeting (AGM), the framework received strong support from security holders, with a 98.8 per cent vote in favour of the resolution to adopt the 2013 Remuneration Report.

There were no substantive changes to the framework in FY2014, but some refinements were made to further align remuneration with the creation of sustainable security holder value, business outcomes, and the Group's organisational values: *integrity, collaboration, accountability, ingenuity and respect*.

In particular, changes were made to the Short Term Incentive (STI) program for all eligible employees, which were aimed at enhancing this variable pay element through increased performance differentiation, the introduction of formal performance comparisons against peers, and strengthening the link between individual and Group performance.

A TRANSURBAN'S REMUNERATION FRAMEWORK

The key elements of the remuneration framework for the CEO and other Senior Executives for FY2014 were as follows:

Remuneration mix

The remuneration of the CEO and other Senior Executives was structured as a mix of fixed remuneration and variable ('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
Senior Executives	45	30 (50% deferred)	25

* All Senior Executives moved to 50% STI deferral effective 1 July 2013.

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.

Remuneration report (continued)

Short term incentive (STI)

During FY2014, changes were made to the STI program to achieve greater performance differentiation. The link between Group and individual performance was also strengthened by using individual performance as a multiplier when calculating reward for Group performance.

Group performance measures under the new STI program were again linked to growth in proportional EBITDA, cost management based on proportional net costs, and safety. See section 4(D) for further details.

Individual performance continues to be measured against key performance indicators (**KPIs**). Under the new STI program, each individual's assessment will be used in determining a rating relative to peers. The overall rating will derive an individual's STI using a payment schedule as determined by the Board designed to encourage high performance.

During FY2014, the proportion of the STI award subject to mandatory deferral was aligned for the CEO and all Senior Executives, so that all members of KMP now have 50 per cent of their STI award deferred for two years. Increasing the level of STI deferral (from 30 per cent when it was first introduced in FY2012) strengthens the link between KMP performance and security holder value and provides a greater retention element.

For Australian Senior Executives, STI deferral is into securities. Due to legal restrictions on the issue of securities to USA residents, the USA resident 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)

For FY2014, 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, telecommunications and construction 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 maximising free cash flow to drive security holder return. The definition of FCF per security is set out on page 35. The FCF calculation is included in note 22 of the audited financial statements.

B OTHER EVENTS / ACTIONS IMPACTING REMUNERATION IN FY2014

USA restructure

As previously disclosed, the Group's New York office was closed in FY2014. As a consequence, it was determined that the position of President, North America was no longer required. As no suitable positions were available for Michael Kulper (the incumbent), his employment with the Group ceased on 3 September 2013.

On ceasing employment as President, North America, Michael Kulper received a sum equivalent to 3 months TEC as a payment in lieu of notice (USD 247,450), and he was paid (USD 304,554) (equivalent to 16 weeks TEC) severance payment.

The following arrangements also applied to Michael Kulper:

- he retained the deferred securities granted to him under the FY2012 and FY2013 STI plans in accordance with their original terms; and
- he retained a pro-rated proportion of his LTI awards granted to him under the FY2011 (161,103 Performance Awards), FY2012 (111,721 Performance Awards) and FY2013 (65,293 Performance Awards) LTI plans 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. Michael Kulper was not eligible to participate in the FY2014 LTI plan.

Remuneration report (continued)

Queensland Motorways

In April 2014, a Transurban-led consortium was announced as the successful bidder for Queensland Motorways, which operates a network of toll roads in and around Brisbane. Financial close was achieved on 2 July 2014.

Wesley Ballantine, Group General Manager, Strategy, was appointed to the position of Group General Manager, Queensland on 4 June 2014. Wesley Ballantine has been employed by the Group since 2006. Wesley Ballantine's remuneration was reviewed on this change in role, taking into account benchmark data and internal relativities. Refer to section 4.

Changes to KMP

On 14 July 2014, Transurban announced changes to its Executive Committee. Samantha Hogg, Chief Financial Officer, left the Group on 14 July 2014 after six years with the business. Tim Steinhilber, Group General Manager, Project Delivery and Operational Excellence, transferred back to the USA to support the delivery of the I95 project that is scheduled for completion at the end of 2014. The remuneration arrangements applying to Samantha Hogg on her departure, will be disclosed in the 2015 report.

Anthony Adams, currently Vice President, Infrastructure, Major Projects, and based in the USA, will transfer back to Australia to assume the role of Group General Manager, Project Delivery and Operational Excellence. Anthony joined Transurban in June 2003.

Leigh Petschel, currently General Manager, Finance, is Acting Chief Financial Officer. Leigh joined Transurban in October 2013.

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.

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 FY2014. The members of the Committee continue to be Robert Edgar (Chair), Samantha Mostyn and Neil Chatfield. Further details regarding the Committee are set out in the Directors' report.

The Remuneration and Human Resources Committee reviews gender pay equity annually. The Group has focused on achieving pay equity at all work levels in the organisation and the FY2014 outcomes indicate that this objective has substantially been achieved.

Remuneration report (continued)

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 by Directors.

Those consultants who provided the Remuneration and Human Resources Committee with a remuneration recommendation relating to KMP during FY2014, and who have been deemed by the Group to be 'remuneration consultants', are listed below:

Consultant	Fees for remuneration recommendations	Fees for other advice provided to the Group during FY2014[1]
Ernst & Young	$10,000	$768,079

[1] Fees for other advice includes the review of USA tax returns, expatriate taxation requirements, audit of various undertakings and general consulting

Ernst & Young was selected by the Remuneration and Human Resources Committee and commissioned and instructed by the Chair of the Committee in accordance with the applicable protocol. Ernst & Young's appointment terms specified that all remuneration recommendations and advice be sent directly to the Committee through the Chair, and prohibited the provision of such material or other information directly to management. The appointment terms also required that Ernst & Young provide, with their recommendations, both a declaration of independence from the KMP to whom their recommendations related, and also confirmation of the Committee's conditions for contact and dialogue with management had been observed. Ernst & Young provided such a declaration and confirmation in relation to their remuneration recommendations.

In this way, the Committee and the Board have been assured and are satisfied that Ernst & Young's remuneration recommendations and advice were made free from undue influence from management generally and from KMP specifically.

3 Remuneration in context

Transurban is a top 20 Australian Securities Exchange listed business and is the largest transport infrastructure entity in Australia, and one of the largest toll road entities in the world. 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.

Remuneration report (continued)

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 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. 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, Lane Cove Tunnel and Cross City 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) and, from 2 July 2014, Queensland Motorways in Brisbane (62.5 per cent).

In North America, the Group currently has interests in two assets, the 495 Express Lanes (94.0 per cent), and the 95 Express Lanes project (77.5 per cent), which is currently under construction and remains on schedule for completion in late 2014.

4 CEO / Senior Executive remuneration for FY2014

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.

Remuneration report (continued)

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 ('at risk') remuneration

Short term incentive (STI):

- Annual rewards tied to pre-determined individual and Group performance measures, and includes a deferred element (into securities)
- Individual performance against targets and comparable performance against peers are used to determine an outcome
- Individual targets reflect individual specific accountabilities and key drivers for growth and success
- Group performance targets linked to earnings, cost management and safety
- Individual performance outcome provides a multiplier for the Group performance element (linking the
- Maximum potential STI is capped at 150 per cent

Long term incentive (LTI):

- Equity rewards to align executive and security holder interests (using indeterminate rights)
- 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
- Maximum LTI opportunity is capped at 100%

Remuneration report (continued)

B REMUNERATION MIX

For FY2014, 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	45	30 (50% deferred)	25

* These figures may 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.

**All Senior Executives moved to 50% STI deferral for grants made in FY2014.

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 must be 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 the Group’s organisational values.

Remuneration report (continued)

For FY2014, the CEO and other Senior Executives had a target STI opportunity of 30 per cent of their total remuneration package. Mandatory STI deferral of 50 per cent of the overall STI award now applies for all grants to the CEO and other Senior Executives. STI payouts can vary between zero (if targets are not met) and 150 per cent (for exceptional outperformance).

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 resident Senior Executives receive deferred cash awards. STI deferral grants are made in the form of awards. Each award is an entitlement to receive a fully paid security, or an equivalent cash payment, on terms and conditions determined by the Board. This 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 FY2014?

The STI performance measures for the CEO and other Senior Executives for the year ended 30 June 2014 were chosen to provide a balance between corporate, individual, operational, strategic, financial and non-financial aspects of performance and are described below:

Measure			
Group performance target	(1)	**Growth in proportional EBITDA (20% weighting)** The proportional EBITDA targets were set against the previous year's results and the Group's FY2014 budget. The EBITDA target excluded the 495 Express Lanes.	
		Proportional EBITDA result	% STI that vests^
		Less than 10% above underlying result for FY2013	zero
		10% above underlying result for FY2013	50
		Budget EBITDA for FY2014 ($926 million)	100
		16% above underlying result for FY2013	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 FY2014 budget. The proportional net costs target included the 495 Express Lanes.	
		Proportional net costs result	**% STI that vests^**
		Over FY2014 budget	zero
		FY2014 budget ($201 million)	50
		FY2014 budget less $5 million	100
		FY2014 budget less $15 million	150
		^ *Straight line vesting applies between 50-100% and 100-150%.*	
	(3)	**Safety targets (10% weighting)** The safety target was a lead indicator that required the completion of safety development action plans. The target is split with equal weighting between employee/contractor (5%) and customer (5%) safety targets.	
		Safety target result	**% STI that vests^**
		Less than 60% safety action plan items implemented	zero
		60% safety action plan items implemented	50
		75% safety action plan items implemented	100
		90% safety action plan items implemented	150
		^ *Straight line vesting applies between 50-100% and 100-150%.*	
Individual key performance indicators (KPIs)		**Individual KPIs (50% weighting)**, were unique to the individual's area of accountability, and in FY2014 related to critical business sustainability measures, including: operational excellence, strategy, people and leadership, operational performance, cost reduction, customer satisfaction, project outcomes, succession planning, risk management, growth and business plan implementation. 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 for FY2014 does not include the EBITDA contribution for those assets which are equity accounted (M5 and M7). DRIVe's EBITDA is also excluded from the statutory results for the period that it was equity accounted (1 July 2013 to 4 June 2014). 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 FY2014, the Board resolved to exclude the 495 Express Lanes from the proportional EBITDA measure as this is a period of ramp-up for this asset. The 495 Express Lanes opened to traffic in November 2012 giving the Group limited toll revenue historical data when setting targets for FY2014.

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

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

Proportional net costs are calculated as fee and other revenue less total costs of the Group. Costs after fee and other revenues encourage 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 management's 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 have been used by the Group as an STI performance measure since 2010.

The proportional net costs measure for FY2014 includes costs associated with 495 Express Lanes, as there is a known cost base to work from and drive efficiencies.

Remuneration report (continued)

What were the changes to the STI program introduced in FY2014?

The STI program was reviewed in FY2014 and changes implemented to achieve a program that provides greater performance differentiation between participants. The link between Group and individual performance has been strengthened by using individual performance as a multiplier when calculating reward for Group performance.

In FY2014, Group performance measures under the new STI program were again linked to growth in proportional EBITDA, cost management based on proportional net costs, and safety.

Individual performance continues to be measured against KPIs, with an overall outcome reached for each participant against target. Under the new program, this information is used to assist with providing a rating which will consider performance comparative both to peers and against the Group's values. The overall rating will derive a STI using a payment schedule as determined by the Board designed to encourage and reward high performance.

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.

Once KPIs have been assessed, the Board considers the appropriate rating for each Senior Executive, taking into account their comparable performance and behaviours against the Group's values. The Board then approves STI awards. STI cash awards for FY2014 will be paid in August 2014. The STI deferred component for FY2014 will be awarded in August 2014 and will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 1 July 2016.

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 before the STI targets are assessed?

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.

How is the annual STI pool determined?

The Board approves a pool to be distributed for the annual STI program (cash and deferred securities/cash). The pool is the sum of all eligible employee's possible STI outcomes at 100 per cent target (TEC multiplied by their STI opportunity). This value is divided by two and each half is treated as follows: one half represents the individual component of the STI and is capped at 100 per cent, the second half is multiplied by the Group's performance outcome to represent the Group's performance component and is capped at 150 per cent. The overall pool is capped at 125 per cent.

The Board has discretion as to the proportion of the pool that will be distributed in any given year.

What is the maximum and minimum payment an individual can receive under the STI plan?

The minimum payment an individual can receive is nil per cent and the maximum is 150 per cent of their STI opportunity.

What were the changes to the STI deferral?

During FY2014, those Senior Executives who had been on the old arrangement of 30 per cent deferral (S Hogg and A Head) were moved to 50 per cent deferral. This applies for grants made from 1 July 2013 onwards.

Remuneration report (continued)

What were the Group STI performance outcomes for FY2014?

Group performance in respect of the proportional EBITDA, proportional net costs and safety STI performance measures for FY2014 was assessed by the Board as 125.5 per cent of the possible STI opportunity. It should be noted that the transaction costs associated with the acquisition of Queensland Motorways ($5.9 million) and Cross City Tunnel ($3.1 million) were included in both the proportional EBITDA and proportional net cost outcomes.

Measure	Performance	Outcome
Proportional EBITDA	$931.2 million[1]	113.7%
Proportional net costs	$182.6 million	150.0%
Safety action plan items implemented	76%	100.0%
Overall Group Performance	**-**	**125.5%**

[1] For FY2014 the 495 Express Lanes are excluded from the Proportional EBITDA measure.

What were the individual STI performance outcomes and awards for the CEO and Senior Executives for FY2014?

	STI outcome (%)			Actual STI awarded[1] ($)		STI forfeited
Current Senior Executives	**Individual KPIs**	**Group performance[2]**	**Total**	**Cash[3]**	**Deferred into securities**	
S Charlton	131.0	164.4	147.7	1,039,250	1,039,250	-
J Aument	90.0	113.0	101.5	162,394	162,394	-
W Ballantine	131.0	164.4	147.7	207,225	207,225	-
A Head	125.0	156.9	140.9	294,000	294,000	-
S Hogg	50.0	62.8	56.4	131,100	131,100	43.6
S Johnson	88.0	110.4	99.2	136,800	136,800	0.8
T Steinhilber	75.0	94.1	84.6	145,700	145,700	15.4
L Tobin	88.0	110.4	99.2	174,675	174,675	0.8
V Vassallo	115.0	144.3	129.7	228,275	228,275	-

[1] On-target performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of FY2014 was nil.

[2] The Group performance outcome is determined by multiplying the individual percentage outcome by the Group's percentage outcome of 125.5%.

[3] The cash STI payments will be paid in August 2014. The STI deferred component (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 2016.

Remuneration report (continued)

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

Mandatory STI deferral was introduced in FY2012, with the first grant of awards made in August 2012. Grants were also made in August 2013 as detailed below:

	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*					
S Charlton[1]	-	108,486	-	-	108,486
J Aument	14,789	14,282	-	-	29,071
W Ballantine	15,212	17,328	-	-	32,540
A Head	22,449	15,202	-	-	37,651
S Hogg	18,973	17,944	-	-	36,917
S Johnson	16,540	21,288	-	-	37,828
T Steinhilber	19,356	21,192	-	-	40,548
L Tobin[1]	-	6,612	-	-	6,612
V Vassallo[1]	-	6,612	-	-	6,612
Former Senior Executives					
M Kulper[2]	36,464	22,813	-	-	59,277

[1] Scott Charlton, Lisa Tobin and Vin Vassallo had a zero opening balance at the beginning of FY2014, as they 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. They all received a grant during FY2014, in respect of the FY2013 performance period.
[2] M Kulper was employed for the full FY2013 performance year, and received 22,813 awards in respect of that period. He has retained his deferred cash awards in the STI plans in accordance with their original terms.

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 FY2014, 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.

LTI grants are generally made twice per annum – once following the annual performance review (August) for Senior Executives excluding the CEO, and at a later date in November for the CEO. This is to allow the CEO's grant of performance awards to be put to security holder vote at the AGM.

Two performance measures are used to determine the number of performance awards that will vest at the end of the performance period. Total Shareholder Return (TSR) provides a comparison for Transurban's performance against those companies with which the Group competes for capital. Additionally, growth in Free Cash Flow (FCF) helps to retain a focus on maximisation of free cash. The maximum opportunity following these tests is capped at 100 per cent.

Remuneration report (continued)

The performance awards will, subject to achievement of the two performance measures against the vesting schedules, vest and be automatically exercised at the vesting date with no exercise price payable by the recipient. 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 Executive receives 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 is the Group's LTI allocation valuation methodology?

A fair value approach is applied for the TSR allocation. The Group is currently transitioning to a face value approach (discounted for distributions) for the FCF component. The transition is over 3 years and all things being equal there will be a decrease in the number of awards recipients receive until the new methodology is achieved. This transition will be completed for grants made during FY2016.

What were the LTI performance measures for FY2014?

Performance awards granted during the FY2014 are subject to a three year performance period and the following dual performance measures over that period:

Measure	Description of measure
Relative TSR (50% weighting)	Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, telecommunications and construction Global Industry Classification Standards (GICS) sectors of the ASX 150. The 42 companies in this group are: *Abacus Property Group, AGL Energy Limited, Auckland International Airport Limited, Asciano Limited, Australand Property Group, APA Group, Aurizon Holdings Limited, BWP Trust, CFS Retail Property Trust Group, Charter Hall Group, Commonwealth Property Office Fund, Charter Hall Retail REIT, DUET Group, Dexus Property Group, Envestra Limited, Federation Centres Limited, Goodman Group, GPT Group, iiNet Limited, Investa Office Fund, Leighton Holdings Limited, Lend Lease Group, Mirvac Group, Monadelphous Group Limited, Macquarie Atlas Roads Limited, M2 Telecommunications Group Limited, Qantas Airways Limited, Qube Logistics Holdings Limited, Shopping Centres Australasia Property Group, Stockland, Spark Infrastructure Group, SP AusNet, Sydney Airport, Transurban Group, Telecom Corporation of New Zealand Limited, Telstra Corporation Limited, Toll Holdings Limited, TPG Telecom Limited, UGL Limited, Virgin Australia Holdings Limited, Westfield Group, Westfield Retail Trust.* 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 2014, 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

Remuneration report (continued)

Measure	Description of measure
Growth in FCF per security (50% weighting)	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 22 of the audited financial statements. For performance awards granted during the year ended 30 June 2014, the FCF per security component will vest based on the Group's compound annual growth targets translated into annual FCF per security over the three year performance period, as set out below:

Growth in FCF per security vesting schedule:

% annual growth in FCF per security	% of performance awards that vest
Less than 12%	Nil
Between 12% and 15%	Straight line vesting between 50 and 100
15% or more	100

For performance awards granted during FY2015, the performance target range for growth in FCF per security is between 10.0 per cent and 13.0 per cent per annum. This is calculated from a base of 35.0 cents per security for FY2014, which is aligned to the FY2014 distributions paid. The Board has determined to use this base due to significant shifts in equity issued by the Group during the period, in particular 404.5 million securities issued in May 2014 associated with the Queensland Motorways acquisition. The 35.0 cent per security base is considered the best point of alignment with security holders' expectation for growth in free cash.

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. The vesting schedule applied is in line with market practice, with straight line vesting between 50% and 100% for performance above the 50th percentile up to the 75th percentile for performance against the comparator group.

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 FY2013.

Why has the FCF target for FY2014 of 12-15% increased from 6-9% in FY2013?

Transurban regularly updates its corporate model to reflect the latest assumptions regarding traffic, operating costs, maintenance costs, discount rates, etc. The Transurban Board considers the Group's potential performance over any given three year period and relates remuneration incentives to these expectations. Most importantly, it is the Board's role to assess the realistic nature of cash flow expectations and set challenging but realistic targets. One target may be appropriate one year, but not so another year. The completion of construction for the M2 was a contributing factor for the change in the FCF target from FY2013 to FY2014.

Remuneration report (continued)

Why is a three year performance period used for LTIs?

The three year performance period for LTI has been set in line with market practice. The Board continues to monitor market practice in this regard.

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 FY2014 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 FY2014?

Eligible Senior Executives (excluding the CEO) received performance awards with a grant date of 15 August 2013. Following the receipt of security holder approval at the 2013 AGM, the CEO received performance awards with a grant date of 1 November 2013. All performance awards granted in FY2014 vest subject to a performance period from 1 July 2013 through to 30 June 2016.

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 2013	$3.24	$6.07	$6.89
CEO	1 November 2013	$3.13	$6.21	$6.97

[1] An explanation of the pricing model used to calculate these values is set out in note 36 to the audited financial statements.

Performance awards granted in FY2014

Name	Number of performance awards granted[2]	Value at grant date ($)	Maximum total value of grant yet to vest[3]($)
Current Senior Executives			
S Charlton[1]	382,292	1,713,466	1,713,466
J Aument	74,494	334,159	334,159
W Ballantine	62,630	280,940	280,940
A Head	94,767	425,098	425,098
S Hogg	105,633	473,841	473,841
S Johnson	62,630	280,941	280,941
T Steinhilber	78,267	351,084	351,084
L Tobin	79,980	358,768	358,768
V Vassallo	79,980	358,768	358,768

[1] The grant made to the CEO constituted his LTI entitlement for FY2014 and was made following security holder approval at the 2013 AGM on the terms summarised above. Performance awards vest subject to performance over the period from 1 July 2013 through to 30 June 2016.

[2] The grants made to Senior Executives assume full vesting of their full LTI entitlement for FY2014 and were made on the terms summarised above. Performance awards vest subject to performance testing over the period from 1 July 2013 through to 30 June 2016.

[3] 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.

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	FY2013 PAP	FY2012 PAP	FY2011 PAP
Grant date	15 Aug 2012	26 Sep 2011	1 Nov 2010
	19 Oct 2012 (CEO only)	11 Nov 2011 (CEO only)	
Performance period	1 Jul 2012 – 30 Jun 2015	1 Jul 2011 - 30 Jun 2014	TSR : 1 Nov 2010 - 1 Nov 2013
			EBITDA : 1 Jul 2010 - 30 Jun 2013
External performance measure (50% of grant)	Relative TSR	Relative TSR	Relative TSR
Comparator group	37 companies within a bespoke comparator group within the ASX150	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	Growth in free cash flow (FCF) per security	Group's annual growth in proportional EBITDA
	From 6% - 9%	From 7% - 10%	From 7% - 11%
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 2015	TESTED 71.59% vested on 30 Jun 2014	TESTED 86.51% vested on 1 Nov 2013
Awards on issue	814,965	–	–

Value of performance awards vested and lapsed in FY2014

The FY2011 PAP vested on 1 November 2013.

The outcome of the performance tests were as follows:

Test type	Result of test	% units vest
TSR	Transurban ranked 33 out of 93 companies (65.21%)	80.42%
Proportional EBITDA	85% of the target EBITDA range was achieved	92.60%
Overall vesting		**86.51%**

Remuneration report (continued)

	FY2011 PAP - Lapsed		FY2011 PAP - Vested	
	Number	Value ($)[1]	Number	Value ($)[1]
Current Senior Executives				
J Aument[2]	2,913	10,535	18,684	74,331
W Ballantine[2]	3,297	11,922	21,144	84,119
A Head	12,211	44,156	78,312	311,555
S Hogg	8,881	32,113	56,954	226,585
S Johnson[2]	3,996	14,451	25,630	101,964
T Steinhilber[2]	3,879	14,026	24,876	98,967
Former Senior Executives				
M Kulper	21,732	78,583	139,371	554,471

[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.

The FY2012 PAP vested on 30 June 2014.

The outcome of the performance tests were as follows:

Test type	Result of test	% units vest
TSR	Transurban ranked 14 out of 31 companies (56.66%)	63.32%
Free Cash Flow	93.8 cents adjusted to 97.9 cents	79.86%
Overall vesting		**71.59%**

	FY2012 PAP - Lapsed		FY2012 PAP – Vested	
	Number	Value ($)[1]	Number	Value ($)[1]
Current Senior Executives				
A Head	30,616	116,784	77,150	314,102
S Hogg	28,785	109,799	72,535	295,314
Former Senior Executives				
M Kulper	31,739	121,070	79,982	325,629

[1] Based on the fair value at date of grant.

The Board exercised its discretion to ensure that participants in the FY2012 PAP were neither advantaged nor disadvantaged as a result of the Queensland Motorways (QM) acquisition and associated capital raising. The issuance of 404.5 million new securities in May 2014 associated with the funding of the QM acquisition occurred in FY2014, while financial close of the QM acquisition occurred in FY2015. The Board exercised its discretion to, in effect, exclude the new securities issued to fund the QM acquisition from the number of securities used to calculate the FY2014 Free Cash Flow (FCF) per security for the purposes of calculating the FCF outcome for the FY2012 PAP. Interest income on the equity raised prior to year end was similarly excluded from the calculation. The targets set at the beginning of the performance period (1 July 2011) were not adjusted.

Remuneration report (continued)

Number of performance awards on issue as at 30 June 2014

The number of performance awards held by members of KMP as at 30 June 2014 is provided below. Comparative data is shown for those Senior Executives who were members of KMP during both FY2014 and FY2013.

	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					
2014	684,656[1]	382,292	(78,752)	–	988,196
2013	–	684,656[1]	–	–	684,656[1]
J Aument					
2014	21,597	74,494	(18,684)	(2,913)	74,494
2013	39,365[2]	–	(17,768)[3]	–	21,597
W Ballantine					
2014	24,441	62,630	(21,144)	(3,297)	62,630
2013	44,471[2]	–	(20,030)[3]	–	24,441
A Head					
2014	311,043	94,767	(155,462)	(42,827)	207,521
2013	257,636	112,754	(59,347)	–	311,043
S Hogg					
2014	292,851	105,633	(129,489)	(37,666)	231,329
2013	214,633	125,754	(47,478)	–	292,851
S Johnson					
2014	29,626	62,630	(25,630)	(3,996)	62,630
2013	52,771[2]	–	(23,145)[3]	–	29,626
T Steinhilber					
2014	28,755	78,267	(24,876)	(3,879)	78,267
2013	53,771[2]	–	(25,022)[3]	–	28,755
L Tobin					
2014	–	79,980	–	–	79,980
2013	–	–	–	–	–
V Vassallo					
2014	–	79,980	–	–	79,980
2013	–	–	–	–	–
Former Senior Executives					
M Kulper					
2014	508,549	–	(219,353)	(223,903)[4]	65,293
2013	491,675	178,830	(161,956)	–	508,549

All Performance Awards granted or matured in FY14 (where applicable) in the table above were issued by Transurban and resulted or will result in one ordinary Transurban stapled security (or cash equivalent, as determined by the Board) per Performance Award granted or matured.

* 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] Scott Charlton's number of performance awards granted during FY2013 includes 236,256 performance awards granted 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, and a second tranche (78,752) awards vested on 16 July 2014. Therefore as at the date of this report, Scott Charlton has 909,444 performance awards yet to vest of which 78,752 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] Awards lapsed/forfeited includes pro rata forfeiture of grants made in FY2011, FY2012 and FY2013 in line with good leaver treatment.

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	Shared based benefits[5]	Total
	Cash salary and fees	Cash STI[2]	Non-monetary benefits[3]		Super-annuation		Long service leave		
Current CEO									
S Charlton									
2014	1,858,493	1,039,250	7,042	492,200	17,774	-	-	1,484,748	4,899,507
2013	1,789,850	738,300	22,379	246,100	15,098	-	-	1,302,848	4,114,575
Current Other Senior Executives									
J Aument[1]									
2014	516,456	244,487	1,250	126,054	11,274	-	-	192,748	1,092,269
2013	27,260	10,775	-	5,204	916	-	-	3,534	47,689
W Ballantine[1]									
2014	393,737	207,225	1,462	107,433	17,774	-	21,430	96,404	845,465
2013	230,757	81,150	3,398	44,498	9,836	-	15,368	26,851	411,858
A Head									
2014	604,875	294,000	2,418	111,497	17,774	-	13,053	474,344	1,517,961
2013	589,279	241,395	2,366	77,012	16,470	-	12,696	441,434	1,380,652
S Hogg									
2014	676,275	131,100	2,018	117,353	17,774	-	21,368	485,938	1,451,826
2013	656,561	284,935	2,030	76,648	16,470	-	13,674	407,426	1,457,744
S Johnson[1]									
2014	423,737	136,800	1,496	127,917	17,774	-	8,661	98,710	815,095
2013	280,971	112,325	3,823	60,277	12,043	-	23,829	38,665	531,933
T Steinhilber[1]									
2014	572,856	309,886	30,165	177,462	17,774	-	8,531	208,931	1,325,605
2013	269,441	259,550	52,658	53,001	6,388	-	-	58,491	699,529
L Tobin[1]									
2014	507,741	174,675	1,753	30,000	17,774	-	-	109,235	841,178
2013	185,869	-	710	15,000	6,863	-	-	-	208,442
V Vassallo[1]									
2014	507,741	228,275	1,753	30,000	17,774	-	-	109,235	894,778
2013	176,134	-	710	15,000	6,863	-	-	-	198,707

Remuneration report (continued)

	Short-term employee benefits			Deferred STI[4]	Post-employment benefits	Termination benefits	Long-term benefits	Shared based benefits[5]	Total
	Cash salary and fees	Cash STI[2]	Non-monetary benefits[3]		Super-annuation		Long service leave		
Former CEO									
C Lynch									
2014	-	-	-	-	-	-	-	-	-
2013	144,951	178,652	555	504,275	5,490	-	(62,121)	6,103,665[(6)]	6,875,467
Former Other Senior Executives									
K Daley									
2014	-	-	-	-	-	-	-	-	-
2013	816,330	-	53,262	(50,659)	13,725	-	8,346	(341,435)	499,569
M Kulper									
2014	583,403	-	2,912	300,629[7]	2,791	333,356	-	385,168[7]	1,608,259
2013	1,067,296	362,264	15,482	120,168	10,997	-	28,977	1,441,431	3,046,615
E Mildwater									
2014	-	-	-	-	-	-	-	-	-
2013	485,161	-	1,525	(37,627)	13,725	-	(15,434)	(274,631)	172,719

[1] The dates on which the Senior Executives who were promoted or appointed during FY2013 are the 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 FY2014, which will be paid in August 2014. Jennifer Aument and Tim Steinhilber also received a second and final payment in relation to the successful delivery of the 495 Express Lanes of $82,093 and $164,186 respectively (paid in August 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 FY2014 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. 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 36 to the audited financial statements.

[6] The value for share based benefits for C 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.

[7]The value for Deferred STI and share based benefits for M Kulper includes all unvested 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 M Kulper as President, North America 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. The LTI awards may or may not vest.

Remuneration report (continued)

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 FY2014 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 operated the following broad employee based security plans in FY2014.

ShareLink Incentive Plan

Under the ShareLink Incentive Plan, subject to Board approval, an allocation of Transurban securities 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 21 February 2014. 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, whichever 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 2014

The number of securities held by members of KMP as at 30 June 2014 is provided below. Comparative data is shown for those Senior Executives who were members of KMP during both FY2014 and FY2013.

	Balance at start of year	Changes during year	Balance at end of year
Current Senior Executives			
S Charlton			
2014	10,000	124,622	134,622
2013	–	10,000	10,000
J Aument			
2014	–	–	–
2013	–	–	–
W Ballantine			
2014	3,988	697	4,685
2013	2,889[1]	1,099	3,988
A Head			
2014	3,041	84,719[3]	87,760
2013	3,041	–	3,041
S Hogg			
2014	11,553	129,489[3]	141,042
2013	1,553	10,000	11,553
S Johnson			
2014	29,596	14,167	43,763
2013	19,129[1]	10,467	29,596
T Steinhilber			
2014	–	–	–
2013	–	–	–
L Tobin			
2014	–	–	–
2013	–	–	–
V Vassallo			
2014	10,538	510	11,048
2013	10,018[1]	520	10,538
Former Senior Executives			
M Kulper			
2014	80,000	(80,000)[2]	–
2013	80,000	–	80,000

[1] Opening balance held prior to the Senior Executive becoming a member of KMP.
[2] Balance removed on departure from the Group during FY2014.
[3] Includes the FY2012 PAP awards which vested 30 June 2014. Refer section 4F.

Remuneration report (continued)

Securities held by Non-executive Directors as at 30 June 2014

	Balance at start of year	Changes during year	Balance at end of year
Current Non-executive Directors			
L Maxsted			
2014	30,000	36,559	66,559
2013	30,000	–	30,000
N Chatfield			
2014	30,910	19,514	50,424
2013	20,910	10,000	30,910
R Edgar			
2014	24,590	5,734	30,324
2013	23,733	857	24,590
S Mostyn			
2014	14,000	3,256	17,256
2013	10,300	3,700	14,000
C O'Reilly			
2014	4,363	9,609	13,972
2013	–	4,363	4,363
R Slater			
2014	–	–	–
2013	–	–	–
I Smith			
2014	71,772	20,970	92,742
2013	70,000	1,772	71,772
Former Non-executive Directors			
R Officer			
2014	–	–	–
2013	20,115	(20,115)[1]	–

[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 2014, 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 29.

STI is an 'at risk' component of remuneration – payments are determined based on the following three measures, and could result in zero payout if targets are not met. The maximum payment available to any Senior Executive is 150 per cent of target.

Proportional EBITDA

The proportional EBITDA result for FY2014 was $934.1 million. Excluding the effect of 495 Express Lanes, this resulted in the payment of 113.7 per cent of STIs attributable to proportional EBITDA. The growth in EBITDA was driven by the completion of the Hills M2 Upgrade in August 2013 and continued cost and revenue recovery initiatives across all assets in the portfolio.

Proportional net costs

The proportional net costs result for the year ended 30 June 2014 was $182.6 million, an 11.8 per cent increase from the prior year result. This resulted in the payment of 150 per cent of STIs attributable to proportional net costs. On an underlying basis, shown in the table below, net costs increased 7.5 per cent from the prior year result. The increase includes the impact of project development and acquisitions work in the current financial year.

	FY14	FY13	% increase
Net costs as reported	182.6	163.4	11.8%
Prior year one-off items	-	1.0	
TTMS impact – both periods	4.2	9.4	
	186.9	173.8	7.5%

Safety

For the year ended 30 June 2014, the safety performance measure resulted in a 100 per cent STI outcome. The target was a lead indicator that required the completion of safety development action plans. The target was split with equal weighting between employee/contractor (5 per cent) and customer (5 per cent) safety targets. The Group achieved the completion of 76 per cent of the defined safety development action plans.

Remuneration report (continued)

B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2014, LTIs were linked to relative TSR and FCF per security.

Relative TSR

Relative TSR for the year ended 30 June 2014 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 2014 was a range for compound growth in FCF per security of between 12 per cent and 15 per cent per annum 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 2015, the performance target range for compound growth in FCF per security per annum is between 10.0 per cent and 13.0 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 2010, 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.

Group Performance

Measure	2014	2013	2012	2011	2010
Security price at year end	\$7.39	\$6.76	\$5.69	\$5.23	\$4.24
Distribution paid per security	35.0c	31.0c	29.5c	27.0c	24.0c
Underlying proportional EBITDA - \$m[1]	934.1	828.0	784.0	718.7	635.4
TSR performance[2]	17%	25%	15%	32%	10%
TSR rank position[3]	33 / 93[4] 14 / 31[5]	12 / 89[6]	35 / 86 6 / 86 19 / 86[7]	n/a	n/a
FCF per security performance - weighted	33.9	30.1c	29.8c	27.5c	27.4c

[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

[3] This is the TSR ranking position for the LTI that vests during the financial year

[4] FY2011 PAP that vested 1 November 2013

[5] FY2012 PAP that vested 30 June 2014

[6] FY2010 PAP that vested November 2012 (testing as at 30 June 2012)

[7] FY2009 PAP tested in three tranches

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 achieved 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 and workload expected, the Director's 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 FY2015.

The aggregate fee pool and the manner in which it is apportioned amongst Non-executive Directors are 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 FY2014

Non-executive Director (base) 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 FY2014. 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

Non-executive Directors are not entitled to any retirement benefits.

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 FY2014.

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Non-executive Director remuneration for FY2014 and FY2013 is set out below:

	Short-term benefits	Post-employment benefits	Total
	Fees	Superannuation[1]	
Current Non-executive Directors			
L Maxsted			
2014	437,925	17,774	455,699
2013	438,716	16,470	455,186
N Chatfield			
2014	222,825	17,774	240,599
2013	223,625	16,470	240,095
R Edgar			
2014	212,825	17,774	230,599
2013	211,119	16,470	227,589
S Mostyn			
2014	183,570	16,980	200,550
2013	183,608	16,470	200,078
C O'Reilly			
2014	183,570	16,980	200,550
2013	181,229	16,247	197,476
R Slater			
2014	197,023	-	197,023
2013	194,070	-	194,070
I Smith			
2014	155,973	14,427	170,400
2013	155,967	14,037	170,004
Former Non-executive Directors			
R Officer (resigned 7 August 2012)			
2014	-	-	-
2013	18,832	1,695	20,527
Total			
2014	1,593,711	101,709	1,695,420
2013	1,607,166	97,859	1,705,025

[1] Superannuation contributions made on behalf of Non-executive Directors to satisfy the Group's obligations under applicable superannuation guarantee legislation.

Remuneration report (continued)

D NON-EXECUTIVE DIRECTOR RELATED PARTY INFORMATION

Rodney Slater is a partner in the public policy practice group of Squire Patton Boggs (US) LLP. Transurban used Squire Patton Boggs (US) LLP during the year ended 30 June 2014 for various lobbying activities in the USA. This relationship is based on normal commercial terms. US$180,144 was paid to Squire Patton Boggs (US) LLP during FY2014.

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.

Christine O’Reilly is a Non-executive Director of Energy Australia. Energy Australia is one of Transurban’s electricity providers in NSW and Queensland. 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 judgment or independence. The external auditor will only provide a permissible non-audit service where there is a compelling reason for it to do so. 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 during the period 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:

	2014 **$**	2013 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and other assurance services:		
Audit and review of financial reports	**1,337,000**	1,100,000
Other assurance services	**594,000**	124,800
Total remuneration for PricewaterhouseCoopers	**1,931,000**	1,224,800
Total auditors' remuneration	**1,931,000**	1,224,800

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 53.

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 million, 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
5 August 2014

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holdings Limited for the year ended 30 June 2014, 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 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
5 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Transurban Holdings Limited ABN 86 098 143 429
Annual report - 30 June 2014

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 23
727 Collins Street
Docklands VIC 3008

The financial report was authorised for issue by the Directors on 5 August 2014. The Directors have the power to amend and reissue the financial report.

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 2014

	Notes	**2014 $M**	2013 $M
Continuing operations			
Revenue			
Toll, fee and other road revenue		**1,001**	887
Construction revenue		**110**	267
Management, business development and other revenue		**39**	41
	4	**1,150**	1,195
Road operating costs		**(214)**	(198)
Corporate costs		**(43)**	(41)
Business development costs		**(29)**	(24)
Construction costs		**(105)**	(256)
		(391)	(519)
Profit before depreciation and amortisation, net finance costs, equity accounted investments and income taxes		**759**	676
Depreciation and amortisation expense	5	**(330)**	(312)
Finance income		**125**	108
Finance costs		**(470)**	(345)
Net finance costs	6	**(345)**	(237)
Share of net profits (losses) of equity accounted investments	10	**115**	(10)
Profit before income tax		**199**	117
Income tax benefit	7	**45**	58
Profit from continuing operations		**244**	175
Discontinued operation			
Profit from discontinued operation, net of tax		**8**	-
Profit for the year		**252**	175
Profit is attributable to:			
Ordinary equity holders of the stapled group		**282**	172
Non-controlling interests	29	**(30)**	3
		252	175
		Cents	Cents
Earnings per security attributable to ordinary equity holders of the stapled group:			
Basic earnings per stapled security	34	**18.3**	11.7
Diluted earnings per stapled security	34	**18.3**	11.7

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

	2014 $M	2013 $M
Profit for the year	**252**	175
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	**26**	64
Exchange differences on translation of foreign operations, net of tax	**(3)**	(23)
Other comprehensive income for the year, net of tax	**23**	41
Total comprehensive income for the year	**275**	216
Total comprehensive income for the year is attributable to:		
Members of Transurban Holdings Limited	**284**	256
Non-controlling interests	**(9)**	(40)
	275	216

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

	Notes	**2014 $M**	2013 $M
ASSETS			
Current assets			
Cash and cash equivalents	8	**2,879**	259
Trade and other receivables	9	**84**	89
Derivative financial instruments	12	**-**	1
Total current assets		**2,963**	349
Non-current assets			
Equity accounted investments	10	**268**	532
Held-to-maturity investments	11	**945**	863
Derivative financial instruments	12	**16**	10
Property, plant and equipment	13	**226**	180
Deferred tax assets	14	**64**	9
Intangible assets	15	**10,386**	8,129
Total non-current assets		**11,905**	9,723
Total assets		**14,868**	10,072
LIABILITIES			
Current liabilities			
Trade and other payables	16	**181**	106
Borrowings	17	**721**	438
Derivative financial instruments	12	**35**	7
Provisions	18	**480**	334
Other liabilities	19	**76**	72
Total current liabilities		**1,493**	957
Non-current liabilities			
Borrowings	17	**6,077**	4,499
Deferred tax liabilities	14	**664**	630
Provisions	18	**217**	202
Derivative financial instruments	12	**398**	358
Other liabilities	19	**57**	60
Total non-current liabilities		**7,413**	5,749
Total liabilities		**8,906**	6,706
Net assets		**5,962**	3,366
EQUITY			
Contributed equity	20	**10,680**	7,976
Reserves	21	**(79)**	(104)
(Accumulated losses)	21	**(4,801)**	(4,469)
Non-controlling interest - Transurban International Limited		**(96)**	(183)
Non-controlling interests - Other	29	**258**	146
Total equity		**5,962**	3,366

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

	Notes	Attributable to members of Transurban Holdings Limited						
		Contributed equity $M	**Reserves $M**	**Accumulated losses $M**	**Total $M**	**Non-controlling interests - TIL $M**	**Non-controlling interests - Other $M**	**Total equity $M**
Balance at 1 July 2012		**7,848**	**(138)**	**(4,232)**	**3,478**	**(148)**	**158**	**3,488**
Comprehensive income								
Profit (loss) for the year		-	-	219	219	(49)	5	175
Other comprehensive income (loss)		-	37	-	37	4	-	41
Total comprehensive income		**-**	**37**	**219**	**256**	**(45)**	**5**	**216**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	20	92	-	-	92	8	-	100
Distribution reinvestment plan	20	32	-	-	32	2	-	34
Deferred short term incentives issued	20	3	-	-	3	-	-	3
Changes in value of share-based payment reserve	21	1	(2)	-	(1)	-	-	(1)
Distributions provided for or paid	22	-	-	(456)	(456)	-	-	(456)
Acquisition of non-controlling interest		-	(1)	-	(1)	-	(2)	(3)
Distributions to non-controlling interest		-	-	-	-	-	(15)	(15)
		128	(3)	(456)	(331)	10	(17)	(338)
Balance at 30 June 2013		**7,976**	**(104)**	**(4,469)**	**3,403**	**(183)**	**146**	**3,366**

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

	Notes	Attributable to members of Transurban Holdings Limited						
		Contributed equity $M	**Reserves $M**	**Accumulated losses $M**	**Total $M**	**Non-controlling interests - TIL $M**	**Non-controlling interests - Other $M**	**Total equity $M**
Balance at 1 July 2013		**7,976**	**(104)**	**(4,469)**	**3,403**	**(183)**	**146**	**3,366**
Comprehensive income								
Profit (loss) for the year		-	-	262	262	20	(30)	252
Other comprehensive income (loss)		-	14	-	14	7	2	23
Total comprehensive income		**-**	**14**	**262**	**276**	**27**	**(28)**	**275**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	20	2,636	-	-	2,636	60	-	2,696
Distribution reinvestment plan	20	64	-	-	64	-	-	64
Deferred short term incentives issued	20	2	-	-	2	-	-	2
Changes in value of share-based payment reserve	21	2	4	-	6	-	-	6
Distributions provided for or paid	22	-	-	(594)	(594)	-	-	(594)
Distributions to non-controlling interest		-	-	-	-	-	(14)	(14)
Transactions with NCI	20	-	7	-	7	-	(7)	-
Equity contribution from non-controlling interests		-	-	-	-	-	161	161
		2,704	11	(594)	2,121	60	140	2,321
Balance at 30 June 2014		**10,680**	**(79)**	**(4,801)**	**5,800**	**(96)**	**258**	**5,962**

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

	Notes	**2014 $M**	2013 $M
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**1,116**	976
Payments to suppliers and employees (inclusive of GST)		**(379)**	(353)
Payments for maintenance of intangible assets		**(36)**	(10)
Other revenue		**99**	67
Interest received		**68**	57
Interest paid		**(344)**	(314)
Income taxes paid		**(3)**	(12)
Net cash inflow from operating activities	33	**521**	411
Cash flows from investing activities			
Payment for acquisition of non-controlling interest		**-**	(3)
Payments for held-to-maturity investments, net of fees		**(27)**	(22)
Payments for equity accounted investments		**(39)**	(208)
Payments for intangible assets		**(112)**	(235)
Payments for property, plant and equipment		**(73)**	(17)
Distributions received from equity accounted investments		**57**	50
Payments for business combination, net of cash		**(709)**	-
Net cash (outflow) from investing activities		**(903)**	(435)
Cash flows from financing activities			
Proceeds from issues of stapled securities		**2,696**	100
Proceeds from borrowings (net of costs)		**2,465**	597
Repayment of borrowings		**(1,730)**	(312)
Dividends and distributions paid to the Group's security holders	22	**(418)**	(411)
Distributions paid to non-controlling interests		**(9)**	(10)
Net cash inflow (outflow) from financing activities		**3,004**	(36)
Net increase (decrease) in cash and cash equivalents		**2,622**	(60)
Cash and cash equivalents at the beginning of the year		**259**	318
Effects of exchange rate changes on cash and cash equivalents		**(2)**	1
Cash and cash equivalents at end of the year	8	**2,879**	259

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" or the "Transurban Group" or "Transurban"), 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 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 assets (which include $2,314 million of cash held on hand to be used to complete the acquisition of Queensland Motorways on 2 July 2014) exceed its current liabilities by $1,470 million as at 30 June 2014.

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 as at 30 June 2014 there is $721 million in borrowings classified as current which is planned to be refinanced in the upcoming financial year. In addition, at 30 June 2014 the Group has available a total of $493.4 million of undrawn borrowing facilities across a number of banks.

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

New and amended standards adopted by the Group
The Group has amended some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

(i) AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities.*

AASB 2012-2 resulted in amendments being made to AASB 7 Financial Instruments - Disclosure requiring additional disclosures when entities offset financial assets and liabilities within their financial statements. As a result of this amendment to AASB 7 the Group has expanded its disclosures about the offsetting of financial assets and liabilities (see note 12).

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New and amended standards adopted by the group (continued)
(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.*

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.

In accordance with the transitional provisions of AASB 10, the Group reassessed the control conclusions for its investments at 1 July 2013. Based on this reassessment no changes have been made regarding the Group's 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.

The Group has re-evaluated its involvement in its joint arrangements at 1 July 2013 and has re-classified its investments from jointly controlled entities to joint ventures. Notwithstanding the reclassification, these investments continue to be accounted for using the equity method and accordingly there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

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. As a result of AASB 12, the Group has expanded its disclosures about its interests in subsidiaries (see note 28) and equity accounted investees (see note 10).

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not re-measure 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 has determined that these amendments have no impact on the financial statements of the Group.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New and amended standards adopted by the group (continued)
(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. As a result, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has not had a material impact on the measurement of the Group's assets and liabilities.

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

The AASB has 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. This amendment has reduced the disclosures required in the notes to the financial statements however it has not affected any of the amounts recognised in the financial statements.

Early adoption of standards
The Group has elected to early adopt AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets, which amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal, and may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the year. The application date for the Group would have been 1 July 2014, but the Group has early adopted as of 1 July 2013.

The adoption of this new standard has not had a significant impact on the disclosure within the financial statements.

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 million dollars, or in certain cases, to the nearest dollar.

(b) Principles of consolidation

Subsidiaries
Subsidiaries are all those entities which the Group controls. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to govern the financial and operating policies of the entity.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

The 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.

Application of Class Order 13/1644
In August 2013 the Australian Securities and Investment Commission released Class Order 13/1050 which allowed the Stapled Security Groups who were applying AASB 10 for the first time to continue to prepare aggregated financial statements at 30 June 2013 on the same basis as previous financial reporting periods. In December 2013 Class Order 13/1644 was released which extended the applicability of Class Order 13/1050 indefinitely. The Transurban Group financial statements for the period ended 30 June 2014 have been prepared in accordance with Class Order 13/1050.

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 10).

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures and does not have any joint operations.

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.

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

Financial results of the 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). This includes a proportional income statement per operating segment and consolidated financial statements for the Group.

1 Summary of significant accounting policies (continued)

(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.

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:

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

- Toll charges and related fees are recognised when the charge is incurred by the user.
- Business development revenue is recognised when earned, and to the extent of costs incurred and that these costs will be recovered.
- Interest income is recognised using the effective interest rate method.
- 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 construction 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.

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.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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. 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.

(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.

1 Summary of significant accounting policies (continued)

(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 purpose 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

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 9) in the consolidated balance sheet.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Loans and receivables (continued)
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

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.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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 12. Movements in the hedging reserve in shareholders' equity are shown in note 21. 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.

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.

1 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

Cash flow hedges (continued)
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.

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).

1 Summary of significant accounting policies (continued)

(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 15.

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 sheet 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.

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.

1 Summary of significant accounting policies (continued)

(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 measured at 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.

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.

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

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.

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 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

1 Summary of significant accounting policies (continued)

(u) Parent entity financial information (continued)

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 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(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 2017)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 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.

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

(ii) IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

(a) IAS 11 Construction Contracts
(b) IAS 18 Revenue
(c) IFRIC 13 Customer Loyalty Programmes
(d) IFRIC 15 Agreements for the Construction of Real Estate
(e) IFRIC 18 Transfers of Assets from Customers
(f) SIC-31 Revenue-Barter Transactions Involving Advertising Services

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Although a formal assessment has not been completed, the impact of the application of the new standard is not expected to be material.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Segment information

Segment information - Proportional Income Statement

The segment information provided to the Executive Committee is presented on a proportional basis.

The CEO and Executive Committee assess the performance of the operating segments based on a measure of underlying proportional EBITDA. EBITDA excludes the impact of interest income, interest, tax, depreciation and amortisation expenses 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 Group operates in one business sector only, being the development, operation and maintenance of toll roads, therefore it has been determined that the segment information provided to the CEO and Executive Committee shall be defined by geographical regions, being Victoria and New South Wales in Australia and the USA.

The table below lists the assets included in each operating segment, together with the proportional ownership interests held by the Group for both the current and previous financial year:

		Proportional ownership %	
Segment	**Assets**	**2014**	**2013**
Victoria, Australia	CityLink	100%	100%
New South Wales, Australia	Hills M2 Motorway	100%	100%
	Lane Cove Tunnel	100%	100%
	Cross City Tunnel	26 June to 30 June 2014 - 100%	N/A
	M1 Eastern Distributor	75.1%	75.1%
	Equity investments in:		
	M5	50%	50%
	M7	50%	50%
USA	Transurban DRIVe	75%	75%
	Pocahontas 895	1 July 2013 to 14 May 2014 - 75%	75%
		15 May to 30 June 2014 - nil%	
	495 Express Lanes	1 July 2013 to 11 April 2014 - 67.5%	67.5%
		12 April to 4 June 2014 - 77.5%	
		5 June to 30 June 2014 - 94%	
	95 Express Lanes	1 July 2013 to 11 April 2014 - 67.5%	67.5%
		12 April to 30 June 2014 - 77.5%	

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.

2 Segment information (continued)

Segment information - Proportional Income Statement (continued)

The Group's corporate function, which includes costs incurred in relation to the Queensland Motorways acquisition which did not complete until 2 July 2014, 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 their contribution to the business is closely monitored. As of 2 July 2014, the activities of Queensland Motorways will be disclosed as part of a Queensland geographical operating segment.

The information for the operating segments for the year ended 30 June 2014 and 30 June 2013 is detailed in the following tables. The operating segments have been further broken down by asset to assist with external analysis of the financial statements.

2 Segment information - Proportional Income Statement (continued)

Segment information - Proportional Income Statement (continued)

30 June 2014 $M	Victoria CityLink	New South Wales Hills M2	Lane Cove Tunnel	Cross City Tunnel	M1 Eastern Distributor	M5	M7	Roam & Tollaust	Total NSW	USA Pocahontas 895	495 Express Lanes	Corporate USA	Total Transurban USA	Corporate	Total
Toll revenue	**535**	193	69	1	79	94	115	-	**551**	11	20	-	**31**	**-**	**1,117**
Fee and other revenue	**53**	6	3	-	2	9	3	26	**49**	-	5	-	**5**	**8**	**115**
Total revenue	**588**	199	72	1	81	103	118	26	**600**	11	25	-	**36**	**8**	**1,232**
Proportional EBITDA	**483**	162	51	1	52	89	96	15	**466**	6	2	(4)	**4**	**(20)**	**934**
Interest revenue	**5**	1	1	2	-	1	1	-	**6**	-	-	-	**-**	**116**	**127**
Interest expense	**(39)**	(53)	(14)	-	(29)	(14)	(153)	-	**(263)**	(15)	(120)	(5)	**(140)**	**(231)**	**(673)**
Depreciation and amortisation	**(144)**	(83)	(25)	-	(39)	(34)	(34)	(1)	**(216)**	-	(16)	-	**(16)**	**(21)**	**(397)**
Gain on transfer	**-**	-	-	-	-	-	-	-	**-**	250	-	-	**250**	**-**	**250**
Proportional profit (loss) before tax	**306**	27	13	3	(16)	42	(90)	14	**(7)**	242	(134)	(9)	**98**	**(156)**	**241**
Income tax benefit (expense)	**(50)**	16	(5)	(1)	18	(20)	5	(4)	**9**	(174)	-	59	**(115)**	**29**	**(126)**
Proportional net profit (loss)	**256**	43	8	2	2	22	(85)	10	**2**	67	(134)	50	**(17)**	**(127)**	**114**

2 Segment information - Proportional Income Statement (continued)

Segment information - Proportional Income Statement (continued)

30 June 2013 $M	Victoria	New South Wales							USA				Corporate	Total
	CityLink	Hills M2	Lane Cove Tunnel	M1 Eastern Distributor	M5	M7	Roam & Tollaust	**Total NSW**	Pocahontas 895	495 Express Lanes	Corporate USA	**Total Transurban USA**		
Toll revenue	**496**	143	62	75	94	105	-	**479**	11	5	-	**16**	**-**	**991**
Fee and other revenue	**46**	5	2	-	7	2	26	**42**	-	1	-	**1**	**24**	**113**
Total revenue	**542**	148	64	75	101	107	26	**521**	11	6	-	**17**	**23**	**1,104**
Proportional EBITDA	**441**	117	37	54	88	85	11	**392**	6	(5)	(4)	**(3)**	**(2)**	**828**
Interest revenue	**5**	1	1	-	1	2	-	**5**	-	1	-	**1**	**100**	**111**
Interest expense	**(62)**	(37)	(21)	(33)	(15)	(146)	-	**(252)**	(14)	(28)	(2)	**(44)**	**(181)**	**(539)**
Depreciation and amortisation	**(147)**	(64)	(25)	(39)	(34)	(34)	(1)	**(197)**	(3)	(8)	-	**(11)**	**(23)**	**(378)**
Proportional profit (loss) before tax	**237**	17	(8)	(18)	40	(93)	10	**(52)**	(11)	(40)	(6)	**(57)**	**(106)**	**22**
Income tax benefit (expense)	**(32)**	25	(1)	18	(21)	12	(3)	**30**	8	-	22	**30**	**44**	**72**
Proportional net profit (loss)	**205**	42	(9)	-	19	(81)	7	**(22)**	(3)	(40)	16	**(27)**	**(62)**	**94**

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:

	2014 $M	2013 $M
Total segment revenue (proportional)	**1,232**	1,104
Add: Revenue attributable to non-controlling interest	**27**	25
Less: Revenue of equity accounted assets	**(253)**	(225)
Construction revenue recognised in accordance with AASB Interpretation 12 Service Concession Arrangements	**106**	256
Business development revenue (offset against business development costs for proportional result)	**35**	30
Other	**3**	5
Total revenue (note 4)	**1,150**	1,195

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:

	2014 $M	2013 $M
Total segment interest revenue (proportional)	**127**	111
Less: Interest revenue of non-controlled assets	**(2)**	(3)
Total statutory finance income (note 6)	**125**	108

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:

	2014 $M	2013 $M
Proportional EBITDA	**934**	828
Add: Proportional EBITDA (including M1 Eastern Distributor and 495 Express Lanes) attributable to non-controlling interest	**14**	17
Less: Proportional EBITDA of M5	**(89)**	(88)
Less: Proportional EBITDA of M7	**(96)**	(85)
Less: Proportional EBITDA of Pocahontas	**(6)**	(6)
Less: Proportional EBITDA of Capital Beltway (pre 4 June 2014)	**(1)**	5
Less: Proportional EBITDA of DRIVe	**4**	4
Statutory profit before depreciation and amortisation, net finance costs, equity accounted investments and tax	**759**	676
Statutory net finance costs	**(345)**	(237)
Statutory depreciation and amortisation	**(330)**	(312)
Share of net losses of equity accounted investments	**115**	(10)
Income tax benefit	**45**	58
Profit for the year	**244**	175
Profit from discontinued operations	8	-
Profit for the year	**252**	175

3 Business combinations

During and subsequent to the end of the financial year the Group completed business acquisitions, details of which are set out below.

(a) Cross City Tunnel

On 30 December 2013 the Group acquired the secured senior debt of the Cross City Tunnel Group (CCT Group) which was in receivership. The receivers and managers subsequently conducted a sale process and at the time of the acquisition the assets and liabilities of the CCT Group were considered held-for-sale. Transurban subsequently purchased the concession asset on 26 June 2014. The operations of the CCT Group were presented as a discontinued operation for the period between the acquisition date and 26 June 2014.

As a result of the debt acquisition the Group was deemed in accordance with AASB 10 Consolidated Financial Statements to have gained control of the CCT Group being Cross City Motorway Pty Ltd, CCT Motorway Finance Pty Limited, CM Holdings Trust Pty Limited, CCT Motorway Company Nominees Pty Limited, Cross City Motorway Nominees No. 2 Pty Ltd and CCT Motorway Group Holdings Pty Ltd, who collectively operate the Cross City Tunnel, a 2.1 kilometre toll road located in Sydney, Australia. The Group achieved control via the acquisition of 100 per cent of the senior secured debt to the CCT Group from The Royal Bank of Scotland plc., Australian Branch and The Royal Bank of Scotland N.V., Australian Branch (together RBS).

At the time of the acquisition, receivers and managers had been appointed to each of the CCT Group entities by RBS. The Group's acquisition of the senior secured debt gave it the right to remove and appoint the receivers and managers and therefore significant rights (power) in relation to the relevant activities of the CCT Group entities, notwithstanding that the Group had no equity ownership interest in the CCT Group entities. CCT Group has been treated as a controlled entity with a 100 per cent non-controlling interest from the date of acquisition.

3 Business combinations (continued)

(a) Cross City Tunnel (continued)

(i) Purchase consideration

	$M
Cash paid	**491**
Contingent consideration	**-**
Total purchase consideration	**491**

In the event of material CCT Group traffic outperformance relative to the Transurban base case assumptions and if certain other conditions are satisfied, a further payment will be made to RBS over four years of up to $27.5 million (year four nominal dollars). As of 30 December 2013, a value of $nil has been ascribed to this contingent consideration. This assessment has not changed as at 30 June 2014.

(ii) Purchase consideration – cash outflow

	$M
Cash consideration	**491**
Less: cash acquired	**(16)**
Outflow of cash – investing activities	**475**

(iii) Acquisition related costs
The Group incurred acquisition related costs of $3 million relating to external legal fees and due diligence costs. These costs have been included within business development costs in the Group's Consolidated income statement.

(iv) Identifiable assets acquired and liabilities assumed

	Fair Value $M
Cash and cash equivalents	**16**
Trade and other receivables	**4**
Intangible assets	**514**
Trade and other payables	**(4)**
Provisions	**(39)**
Net identifiable assets acquired	**491**

At 31 December 2013 the assets and liabilities of the CCT Group entities were measured at fair value less costs to sell at the acquisition date with fair values having been determined on a provisional basis. No changes to the provisional fair values recorded at 31 December 2013 were made during the period and are deemed final.

No goodwill has been recognised on the fair value of assets and liabilities acquired.

3 Business combinations (continued)

(a) Cross City Tunnel (continued)

(v) Revenue and profit contribution

From 30 December 2013 (acquisition date) to 30 June 2014 the results of CCT Group have been classified as discontinued operations in the Group's Income Statement.

If the acquisition had occurred on 1 July 2013, consolidated revenue and loss before tax for the year ended 30 June 2014 would have been $52.9 million and $7.1 million respectively. These amounts have been calculated using the subsidiaries' results and adjusting them for receiver costs and other one-offs not related to the ongoing operations of the business.

(b) DRIVe, 495 Express Lanes and 95 Express Lanes

Transurban DRIVe Holdings LLC (DRIVe) has historically been reported by the Group as an equity accounted investment. Transurban owns 75 per cent of DRIVe, but although the ownership represents greater than half of the voting rights of DRIVe, it was determined that Transurban did not have power to govern its key activities and it was therefore accounted for as a joint venture.

At 1 July 2013 DRIVe owned 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.

During the year several transactions have occurred impacting the investments held by DRIVe, resulting in a reassessment of control over the assets and DRIVe.

(i) On 11 April 2014 Transurban purchased a 10 per cent interest directly in each of 495 Express Lanes and 95 Express Lanes from Fluor Enterprises LLC
(ii) On 14 May 2014 Pocahontas was transferred to lenders (refer note 10)
(iii) On 4 June 2014 Transurban contributed additional equity into Capital Beltway Express LLC, giving it an additional 66 per cent direct interest in 495 Express Lanes

Transurban now holds 10 per cent of 95 Express Lanes and 76 per cent of 495 Express Lanes directly, and 67.5 per cent of 95 Express Lanes and 18 per cent of 495 Express Lanes through DRIVe, resulting in effective interests in 95 Express Lanes of 77.5 per cent and 495 Express Lanes of 94 per cent.

The direct holding of 76 per cent gives Transurban power over all relevant activities of 495 Express Lanes. When 95 Express Lanes is complete, 495 Express Lanes and 95 Express Lanes will be directly connected and will be operated as if they were a single road. As a result, control of 495 Express Lanes has also given Transurban the power to direct the most significant activities of 95 Express Lanes. As DRIVe is primarily a holding entity for 95 Express Lanes and 495 Express Lanes, its relevant activities are identical to those of 95 Express Lanes and 495 Express Lanes. Therefore Transurban assumed control of DRIVe on 4 June 2014 and accounted for the acquisition of DRIVe, including 95 Express Lanes and 495 Express Lanes as a business combination on that date.

(i) Purchase consideration

	$M
Cash paid	**345**
Fair value of DRIVe at 4 June 2014	**358**
Contingent consideration	**-**
Total purchase consideration	**703**

3 Business combinations (continued)

(b) DRIVe, 495 Express Lanes and 95 Express Lanes (continued)

(ii) Purchase consideration – cash outflow

	$M
Cash consideration	**345**
Less: cash acquired	**(113)**
Outflow of cash – investing activities	**232**

(iii) Acquisition-related costs

The Group did not incur any costs directly in the purchase of equity in either 495 Express Lanes or 95 Express Lanes during the year.

(iv) Identifiable assets acquired and liabilities assumed

495 Express Lanes	**Fair Value $M**
Cash and cash equivalents	**57**
Trade and other receivables	**1**
Intangible assets	**1,290**
Other assets	**3**
Trade and other payables	**(25)**
Derivative financial instruments	**(41)**
Provisions	**(10)**
Deferred tax liabilities	**(40)**
Borrowings	**(828)**
Net identifiable assets	**407**
Less: non-controlling interest share of net assets	**(98)**
Net identifiable assets acquired	**309**

DRIVe and 95 Express Lanes	**Fair Value $M**
Cash and cash equivalents	**69**
Intangible assets	**667**
Held-to-maturity investments	**98**
Deferred tax assets	**80**
Other assets	**12**
Trade and other payables	**(56)**
Borrowings	**(346)**
Provisions	**(2)**
Deferred tax liabilities	**(9)**
Net identifiable assets	**513**
Less: non-controlling interest share of net assets	**(119)**
Net identifiable assets acquired	**394**

At 4 June 2014 the assets and liabilities of the 495 Express Lanes and DRIVe / 95 Express Lanes were measured at fair value at the acquisition date with fair values having been determined on a provisional basis.

No goodwill has been recognised on the fair value of assets and liabilities acquired.

3 Business combinations (continued)

(b) DRIVe, 495 Express Lanes and 95 Express Lanes (continued)

(v) Revenue and profit contribution

From the date of acquisition to 30 June 2014, revenue of $4 million and a loss after taxation of $79.8 million was included in the Consolidated Income Statement with regards to DRIVe, 495 Express Lanes and 95 Express Lanes. The loss included $73.1 million of break costs incurred on early termination of swaps included in finance costs.

If the acquisition had occurred on 1 July 2013, consolidated revenue and loss before tax for the year ended 30 June 2014 would have been $33.4 million and $166.5 million respectively. These values exclude the impact of Pocahontas 895 and change in investment values within DRIVe that do not relate to the ongoing operations of the business.

(vi) Accounting policy for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition by acquisition basis. For the non-controlling interest in DRIVe, 495 Express Lanes and 95 Express Lanes, the Group elected to recognise the non-controlling interests in its proportionate share of the acquired net identifiable assets.

(c) Queensland Motorways (subsequent event)

On 24 April 2014 the Group announced that a consortium (in which the Group holds a 62.5 per cent equity interest) had reached agreement to acquire Queensland Motorways through an all cash offer to the existing shareholder. Subsequent to year end the acquisition was completed on 2 July 2014.

The Queensland Motorways portfolio is a motorway network in Brisbane comprising four concessions covering (i) the Logan and Gateway motorways, (ii) CLEM7, (iii) Go Between Bridge and (iv) Legacy Way, which is expected to open in the second half of financial year 2015. This urban motorway network is complementary to the Group's existing networks in Sydney and Melbourne, and contributes additional scale, long dated concessions, investment potential and strategic value to the Group's current portfolio.

(i) Purchase consideration

	$M
Cash paid	6,403
Contingent consideration	-
Total purchase consideration	**6,403**

(ii) Purchase consideration – cash outflow

The consideration was paid on 2 July 2014 and will be reflected in the Group's financial statements for the 2015 financial year.

(iii) Acquisition related costs

Acquisition costs included in the Group's Consolidated Income Statement for the current year are $9.5 million.

Acquisition related costs of $407.3 million are expected to be included in the Group's financial results for the 2015 financial year, inclusive of $383.6 million of stamp duty.

3 Business combinations (continued)

(c) Queensland Motorways (subsequent event) (continued)

(iv) Identifiable assets acquired and liabilities assumed

The provisionally determined fair values of the assets and liabilities of Queensland Motorways as at acquisition date are as follows:

	Fair Value $M
Cash and cash equivalents	**22**
Trade and other receivables	**14**
Other assets	**4**
Property, plant and equipment	**168**
Deferred tax assets	**548**
Intangible assets	**6,733**
Trade and other payables	**(52)**
Provisions	**(732)**
Borrowings	**(270)**
Other liabilities	**(32)**
Net identifiable assets	**6,403**
Less: non-controlling interest share of net assets	**(2,401)**
Net identifiable assets acquired	**4,002**

(v) Fair values measured on a provisional basis

Due to the timing of the completion of the acquisition two days after the completion of the Group's financial year, the Group has not yet completed its final assessment of the fair value of the assets and liabilities acquired.

If new information is obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date that require adjustments to the above amounts, or any additional provisions to be recognised, then the accounting for the acquisition will be revised.

(vi) Fair values measured on a provisional basis

No goodwill has been recognised on the provisional fair value of assets and liabilities acquired.

4 Revenue

	Notes	**2014 $M**	2013 $M
Toll revenue	4(a)	**906**	801
Fee revenue	4(a)	**79**	67
Other road revenue	4(b)	**16**	19
Total toll, fee and other road revenue		**1,001**	887
Construction revenue	4(c)	**110**	267
Management and business development revenue	4(d)	**38**	39
Other revenue		**1**	2
Total business development and other revenue		**39**	41
Total revenue		**1,150**	1,195

(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.

5 Expenses

	2014 $M	2013 $M
Profit before income tax includes the following specific expenses:		
Provision for impairment of trade receivables recognised during the year	**1**	1
Rental expenses relating to operating leases	**4**	4
Employee benefit expense	**96**	91
Defined contribution superannuation expense	**5**	4
Share based payment expense	**7**	7
Provision for maintenance recognised during the year	**32**	22

	2014 $M	2013 $M
Concession fees (road operating cost) are attributable to:		
Hills M2 Motorway	**2**	2
M1 Eastern Distributor	**2**	2
	4	4
Depreciation and amortisation expense		
Road operating cost	**307**	290
Corporate cost	**23**	22
	330	312

6 Net finance costs

	2014 $M	2013 $M
Finance income		
Interest income on held-to-maturity investments	**106**	98
Interest income on bank deposits	**18**	10
Net foreign exchange gains	**1**	-
Total finance income	**125**	108
Finance costs		
Interest and finance charges paid/payable	**(463)**	(328)
Unwind of discount on liabilities	**(7)**	(17)
Total finance costs	**(470)**	(345)
Net finance costs	**(345)**	(237)

7 Income tax benefit

Income tax benefit

	2014 $M	2013 $M
Current tax	**(4)**	1
Deferred tax	**(44)**	(61)
Under provision in prior years	**3**	2
	(45)	(58)
Deferred income tax benefit included in income tax benefit comprises:		
(Increase) in deferred tax assets (note 14)	**(56)**	(34)
(Decrease) in deferred tax liabilities (note 14)	**12**	(27)
	(44)	(61)

7 Income tax benefit (continued)

Numerical reconciliation of income tax benefit to prima facie tax payable

	2014 $M	2013 $M
Profit before income tax benefit	**199**	117
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	**60**	35
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Income not subject to tax	**(81)**	(115)
Accounting depreciation on non tax depreciable assets	**(1)**	6
Non-deductible interest	**10**	7
Equity accounted results	**(47)**	3
Sundry items	**(4)**	4
Tax differential	**15**	-
	(48)	(60)
Under (over) provision in prior years	**3**	2
Income tax benefit	**(45)**	(58)

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

Cash flow hedges (note 21)	**(23)**	6
Foreign currency translation (note 21)	**2**	1
	(21)	7

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 is 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.

8 Current assets - Cash and cash equivalents

	2014 $M	2013 $M
Cash at bank and in hand	**2,879**	259
	2,879	259

All cash balances are interest bearing.

The cash at bank and in hand includes $2,314 million which has been used to complete the acquisition of Queensland Motorways on 2 July 2014.

Funds not for general use

The amount shown in Cash at Bank includes $124 million not available for general use at 30 June 2014 (2013: $66.2 million). This comprises amounts required to be held under maintenance and funding reserves, and prepaid tolls, which are restricted from general use.

9 Current assets - Trade and other receivables

	2014 $M	2013 $M
Trade receivables	**40**	38
Provision for impairment of receivables	**(1)**	(1)
	39	37
Other receivables	**36**	45
Prepayments	**9**	7
	84	89

Provision for impaired trade and other receivables

As at 30 June 2014 current trade receivables of the Group with a nominal value of $1 million (2013: $1 million) were considered impaired and accordingly the Group held a provision for impairment of $1 million (2013: $1 million). As at 30 June 2014, trade receivables of $6 million (2013: $6 million) were past due but not impaired.

The ageing of these receivables is as follows:

For the year ended 30 June 2014	**Not Impaired $M**	**Impaired $M**	**Allowance for Doubtful Debts $M**
Trade and other receivables			
Current (not past due)	33	-	-
less than 30 days overdue	5	-	-
more than 90 days overdue	1	1	1
	39	1	1

9 Current assets - Trade and other receivables (continued)

Provision for impaired trade and other receivables (continued)

For the year ended 30 June 2013	Not Impaired $M	Impaired $M	Allowance for Doubtful Debts $M
Trade and other receivables			
Current (not past due)	31	-	-
less than 30 days overdue	5	-	-
more than 90 days overdue	1	1	1
	37	1	1

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.

10 Equity accounted investments

Name of company	**Ownership interest**		**Carrying amounts**	
	2014 %	2013 %	**2014 $M**	2013 $M
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	**268**	303
Transurban DRIVe Holdings LLC (Transurban DRIVe)	**75**	75	**-**	229
			268	532

All entities listed above are incorporated in Australia with the exception of Transurban DRIVe which is incorporated in the United States of America.

The amounts recognised in the income statement are as follows:

	Total	
	2014 $M	2013 $M
Share of net profits (losses) of joint ventures	**115**	(10)
For the year ended 30 June	**115**	(10)

10 Equity accounted investments (continued)

(a) Joint ventures

(i) 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.

(ii) 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.

(iii) Transurban DRIVe

On 14 May 2014, Pocahontas 895 was transferred to lenders. The non-cash profit realised on the transfer was A$103.1 million, inclusive of Transurban's 75 per cent share of the profit after tax (US$128.1 million), unrecognised losses from operations (A$104.2 million), and unrecognised profits on the 2007 transfer of Pocahontas into the DRIVe vehicle (A$69.4 million). Tax losses in the Pocahontas Group were sufficient to offset the tax payable on the gain made on disposal.

Until 4 June 2014 the Group equity accounted for its investment in DRIVe. On 4 June 2014 it was determined that the Group had control of DRIVe and from this date equity accounting ceased and DRIVe was consolidated by the Group (refer note 3). Post the cessation of equity accounting for DRIVe the Group's investment in DRIVe was reduced to $nil.

In addition, on consolidation of DRIVe as of 4 June 2014 (as disclosed in note 3) DRIVe's cashflow hedge reserve and foreign currency translation reserve were required to be reversed to the Income Statement, resulting in a $15 million charge.

Both of these items have been included within Share of net profits of equity accounted investments in the Income Statement.

10 Equity accounted investments (continued)

(b) Summarised financial information of equity accounted investments

Set out below is the summarised financial information for the Group's investments accounted for using the equity method.

	Westlink M7 50%		M5 Motorway 50%		Transurban DRIVe 75%		Total	
Summarised balance sheet	**2014 $M**	2013 $M	**2014 $M**	2013 $M	**2014 $M**	2013 $M	**2014 $M**	2013 $M
Cash and cash equivalents	**86**	74	**31**	29	**-**	357	**117**	460
Other current assets	**8**	9	**1**	4	**-**	1	**9**	14
Non-current assets	**1,798**	1,856	**418**	289	**-**	1,916	**2,216**	4,061
Held for sale assets	**-**	-	**-**	-	**-**	370	**-**	370
Current financial liabilities	**-**	-	**(4)**	-	**-**	-	**(4)**	-
Other current liabilities	**(45)**	(25)	**(82)**	(79)	**-**	(78)	**(127)**	(182)
Non-current financial liabilities	**(3,139)**	(3,056)	**(786)**	(650)	**-**	(1,434)	**(3,925)**	(5,140)
Other non-current liabilities	**(62)**	(55)	**(15)**	(11)	**-**	(328)	**(77)**	(394)
Held for sale liabilities	**-**	-	**-**	-	**-**	(544)	**-**	(544)
Net assets	**(1,354)**	(1,197)	**(437)**	(418)	**-**	260	**(1,791)**	(1,355)

Summarised income statement								
Revenue	**236**	213	**206**	202	**42**	23	**484**	438
Depreciation and amortisation	**(70)**	(70)	**(15)**	(13)	**(9)**	(16)	**(94)**	(99)
Other expenses	**(47)**	(43)	**(28)**	(29)	**(32)**	(27)	**(107)**	(99)
Gain on transfer of Pocahontas	**-**	-	**-**	-	**326**	-	**326**	-
Interest expense	**(298)**	(287)	**(26)**	(26)	**(69)**	(57)	**(393)**	(370)
Income tax expense	**11**	27	**(41)**	(42)	**(104)**	39	**(134)**	24
Profit / (loss)	**(168)**	(160)	**96**	92	**154**	(38)	**82**	(106)
Other comprehensive income	**13**	15	**(1)**	(1)	**37**	(1)	**49**	13
Total comprehensive income	**(155)**	(145)	**95**	91	**191**	(39)	**131**	(93)
Proportional total comprehensive income	**(78)**	(73)	**48**	45	**143**	(28)	**113**	(56)
Amortisation of fair value uplift	**-**	-	**(27)**	(27)	**-**	-	**(27)**	(27)
Group's share of comprehensive income	**(78)**	(73)	**21**	18	**143**	(28)	**86**	(83)
Losses not recognised	**78**	73	**-**	-	**(104)**	-	**(26)**	73
Unrecognised gain on transfer	**-**	-	**-**	-	**70**	-	**70**	-
Transfer of reserves	**-**	-	**-**	-	**(15)**	-	**(15)**	-
Group's recognised share of total comprehensive income	**-**	-	**21**	18	**94**	(28)	**115**	(10)
Dividends received	**-**	-	**57**	50	**-**	-	**57**	50

10 Equity accounted investments (continued)

(b) Summarised financial information of equity accounted investments (continued)

	Westlink M7 50%		M5 Motorway 50%		Transurban DRIVe 75%		Total	
Reconciliation of summarised financial information								
	2014 $M	2013 $M	**2014 $M**	2013 $M	**2014 $M**	2013 $M	**2014 $M**	2013 $M
Opening net assets on 1 July	**(1,198)**	(1,052)	**(418)**	(409)	**260**	(41)	**(1,356)**	(1,502)
Investments in subsidiary	**-**	-	**-**	-	**53**	275	**53**	275
Profit / (loss) for the period	**(169)**	(161)	**96**	92	**154**	(37)	**81**	(106)
Other comprehensive income	**13**	15	**(1)**	(1)	**37**	36	**49**	50
Foreign exchange differences	**-**	-	**-**	-	**(26)**	28	**(26)**	28
Dividends paid	**-**	-	**(114)**	(100)	**-**	-	**(114)**	(100)
Closing net assets	**(1,354)**	(1,198)	**(437)**	(418)	**478**	260	**(1,313)**	(1,355)
Proportional interest in associates	**(677)**	(599)	**(218)**	(209)	**358**	195	**(537)**	(613)
Uplift on acquisition	**-**	-	**486**	512	**-**	(70)	**486**	442
Losses not recognised	**677**	599	**-**	-	**-**	104	**677**	703
Cessation of equity accounting on gain of control	**-**	-	**-**	-	**(358)**	-	**(358)**	-
Carrying value	**-**	-	**268**	303	**-**	229	**268**	532
Share of expenditure commitments								
Capital commitments	**-**	-	**40**	108	**-**	311	**40**	419
Operating commitments	**182**	186	**-**	-	**-**	229	**182**	415
	182	186	**40**	108	**-**	540	**222**	834
Contingent liabilities								
Share of contingent liabilities incurred jointly with other investments	**-**	-	**-**	-	**-**	-	**-**	-
	-	-	**-**	-	**-**	-	**-**	-

11 Non-current assets – Held-to-maturity investments

	Notes	2014 $M	2013 $M
Term loan notes	11(a)	**887**	832
M5 debt notes	11(b)	**58**	31
		945	863

(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) (formerly 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 2014 the Group capitalised interest of $55.0 million (2013: $49.0 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.

12 Derivative financial instruments

	2014 $M	2013 $M
Current assets		
Forwards exchange contracts - cash flow hedges	**-**	1
	-	1
Non-current assets		
Cross-currency interest rate swap contracts - net investment hedge	**16**	9
Forwards exchange contracts - cash flow hedges	**-**	1
	16	10
Total derivative financial instrument assets	**16**	11
Current liabilities		
Interest rate swap contracts - cash flow hedges	**7**	7
Cross-currency interest rate swap contracts - cash flow hedges	**28**	-
	35	7
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**219**	222
Cross-currency interest rate swap contracts - cash flow hedges	**179**	136
	398	358
Total derivative financial instrument liabilities	**433**	365

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 40).

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 3.4 per cent (2013: 3.9 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 93 per cent (2013: 96 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 6.1 per cent (2013: 6.6 per cent).

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 Group's USD interest commitments.

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.

12 Derivative financial instruments (continued)

Instruments used by the Group (continued)

Cross-currency interest rate contracts - cash flow hedges
The Group has raised fixed rate foreign currency debt through several U.S. Private Placements, a Maple Bond and a Euro 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. A portion of the Euro bond was swapped into US dollars as part of the hedge of the net investment in the foreign entity.

Offsetting financial assets and financial liabilities
The Group has not settled any financial assets or financial liabilities on a net basis during the financial year. Currently there is no right or basis to present any financial assets or financial liabilities on a net basis, and as such no financial assets or financial liabilities have been presented on a net basis in the Group's balance sheet at the end of the financial year.

13 Non-current assets - Property, plant and equipment

	Equipment, fittings and operating systems $M
At 1 July 2012	
Cost	352
Accumulated depreciation	(160)
Net book amount	192
Year ended 30 June 2013	
Opening net book amount	192
Additions	17
Depreciation charge	(29)
Closing net book amount	180
At 30 June 2013	
Cost	368
Accumulated depreciation	(188)
Net book amount	180

At 1 July 2013	
Cost	368
Accumulated depreciation	(188)
Net book amount	180
Year ended 30 June 2014	
Opening net book amount	180
Additions	73
Depreciation charge	(27)
Closing net book amount	226
At 30 June 2014	
Cost	441
Accumulated depreciation	(215)
Net book amount	226

14 Deferred tax assets and liabilities

	Assets		**Liabilities**		**Net**	
	2014 $M	2013 $M	**2014 $M**	2013 $M	**2014 $M**	2013 $M
The balance comprises temporary differences attributable to:						
Accrued expenses	**9**	2	**-**	-	**9**	2
Provisions	**102**	82	**-**	-	**102**	82
Current and prior year losses	**638**	565	**-**	-	**638**	565
Unearned income	**3**	2	**-**	-	**3**	2
Fixed Assets/Intangibles	**27**	17	**(1,041)**	(963)	**(1,014)**	(946)
Interest receivable	**-**	-	**(2)**	(2)	**(2)**	(2)
Unrealised foreign exchange	**1**	9	**(11)**	(10)	**(10)**	(1)
Prepayments	**-**	-	**(13)**	(8)	**(13)**	(8)
Concession fees and promissory notes	**-**	1	**(370)**	(344)	**(370)**	(343)
Cash flow hedges	**118**	90	**(69)**	(64)	**49**	26
Other	**2**	2	**4**	-	**6**	2
Tax assets/(liabilities)	**900**	770	**(1,500)**	(1,391)	**(600)**	(621)
Set-off of tax	**(836)**	(761)	**836**	761	**-**	-
Net tax assets/(liabilities)	**64**	9	**(664)**	(630)	**(600)**	(621)
Movements:						
Opening balance at 1 July	**770**	769	**(1,391)**	(1,443)	**(621)**	(674)
Credited to the income statement	**56**	34	**(11)**	27	**45**	61
Credited/(charged) to equity	**4**	(36)	**(49)**	28	**(45)**	(8)
Acquired on acquisition	**80**	-	**(49)**	-	**31**	-
Foreign exchange movements	**(14)**	-	**4**	-	**(10)**	-
Transfer from deferred tax assets/liabilities	**4**	3	**(4)**	(3)	**-**	-
Closing balance at 30 June	**900**	770	**(1,500)**	(1,391)	**(600)**	(621)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**900**	770	**(1,500)**	(1,391)	**(600)**	(621)

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.

15 Non-current assets - Intangible assets

	Goodwill $M	CityLink $M	Hills M2 Motorway $M	M1 Eastern Distributor $M	M4 Motorway $M	Lane Cove Tunnel $M	Assets under construction $M	Total $M
At 1 July 2012								
Cost	260	4,655	2,518	2,154	179	648	421	10,835
Accumulated amortisation and impairment	-	(1,580)	(582)	(276)	(177)	(46)	-	(2,661)
Net book amount	260	3,075	1,936	1,878	2	602	421	8,174
Year ended 30 June 2013								
Opening net book amount	260	3,075	1,936	1,878	2	602	421	8,174
Additions	-	-	-	-	-	-	235	235
Other adjustments	-	3	-	-	-	-	-	3
Amortisation charge	-	(142)	(64)	(52)	-	(25)	-	(283)
Closing net book amount	260	2,936	1,872	1,826	2	577	656	8,129
Cost	260	4,658	2,518	2,154	179	648	656	11,073
Accumulated amortisation and impairment	-	(1,722)	(646)	(328)	(177)	(71)	-	(2,944)
Net book amount	260	2,936	1,872	1,826	2	577	656	8,129

15 Non-current assets - Intangible assets (continued)

	Goodwill $M	CityLink $M	Hills M2 Motorway $M	M1 Eastern Distributor $M	M4 Motorway $M	Lane Cove Tunnel $M	Cross City Tunnel $M	495 Express Lanes $M	Assets under construction $M	Total $M
Year ended 30 June 2014										
Opening net book amount	260	2,936	1,872	1,826	2	577	-	-	656	8,129
Additions	1	-	-	-	-	-	19	-	82	102
Acquisition of subsidiary	-	-	-	-	-	-	514	1,290	667	2,471
Other adjustments	-	(16)	-	-	-	-	-	-	1	(15)
Transfers	-	-	596	-	-	-	-	-	(596)	-
Amortisation charge	-	(140)	(82)	(52)	(1)	(24)	-	(2)	-	(301)
Closing net book amount	261	2,780	2,386	1,774	1	553	533	1,288	810	10,386
At 30 June 2014										
Cost	261	4,642	3,114	2,154	179	648	533	1,290	810	13,631
Accumulated amortisation and impairment	-	(1,862)	(728)	(380)	(178)	(95)	-	(2)	-	(3,245)
Net book amount	261	2,780	2,386	1,774	1	553	533	1,288	810	10,386

15 Non-current assets - Intangible assets (continued)

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

Service Concession Arrangements have been accounted for in accordance with AASB Interpretation 12 and therefore the concession assets have been classified as Intangible Assets.

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. At the end of the concession period, all concession assets are to be returned to the Victorian State Government.

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.

Hills M2 concession asset
Transurban has the right to toll the Hills M2 Motorway until May 2046. At the end of the concession period, the concession asset will be returned to the New South Wales State Government.

The Concession Deed requires Transurban to maintain the Motorway to specified conditions.

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.

M1 Eastern Distributor concession asset
Transurban has the right to toll the M1 Eastern Distributor (ED) until 24 July 2048. At the end of the concession period, all concession assets will be returned to the New South Wales State Government.

The Concession Deed requires Transurban to maintain the Motorway to specified conditions.

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.

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 New South Wales State Government on 15 February 2010.

The concession asset relating to the Group is the right to operate the service centres located on the M4 Motorway until December 2017, at which time the concession asset will be returned to the New South Wales State Government.

15 Non-current assets - Intangible assets (continued)

Concession assets (continued)

Lane Cove Tunnel
Transurban has the right to toll the Lane Cove Tunnel until January 2037. At the end of the concession period, all concession assets will be returned to the New South Wales State Government.

The Concession Deed requires Transurban to maintain the tunnel to specified conditions.

Toll increases for the Lane Cove Tunnel are based on the maximum toll increase as defined in the Concession Deed, being a quarterly escalation of CPI.

Cross City Tunnel
During the year Transurban acquired the right to toll the Cross City Tunnel until December 2035. At the end of the concession period, the concession asset is returned to the New South Wales State Government.

The Concession Deed requires Transurban to maintain the tunnel to specified conditions.

Toll increases for the tunnel are based on a maximum toll increase as defined in the Concession Deed, being a quarterly escalation at the greater of quarterly CPI or 0.74 per cent until December 2017, and CPI thereafter.

495 Express Lanes
Transurban has the right to toll the 495 Express Lanes on the Capital Beltway until December 2087. At the end of the concession period, the concession asset is returned to the Virginia State Government (USA).

The Concession Deed requires Transurban to maintain and operate the 495 Express Lanes to specified conditions.

Tolling for the 495 Express Lanes is variable, allowing the operator to adjust pricing to manage congestion and provide road users with predictable travel times.

Assets under construction
Assets under construction relate to the remaining upgrade work on the Lane Cove Road On-Ramps and the Vimiera Road embankment works in New South Wales, Australia, and the construction of the I95 Express Lanes in USA.

Construction costs relating to completed works under the M2 Widening Project were transferred to the concession asset during the year. Remaining costs will be transferred to the concession asset upon final completion.

The I95 Express Lanes are being constructed under a Concession Arrangement and are due to be completed in late 2014.

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.

15 Non-current assets - Intangible assets (continued)

Impairment testing of goodwill and other intangible assets (continued)

Key assumptions used for calculating the recoverable amount of goodwill
The Group makes assumptions in calculating the recoverable amount of its goodwill, based on the greater of value-in-use and fair value less costs to sell calculations. These include assumptions around expected traffic flows and forecast operational costs. In performing the value in use calculation, the Group has applied a pre-tax discount rate of 8.2 per cent (2013: 8.2 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 (2013: 2.5 per cent) and AWE of 3.0 per cent (2013: 4.0 per cent) have been used. Management does not consider that any reasonable possible change in the assumptions will result in the carrying value of a CGU exceeding its recoverable amount.

16 Current liabilities - Trade and other payables

	2014 $M	2013 $M
Trade payables and accruals	**181**	106
	181	106

17 Borrowings

	Notes	2014 $M	2013 $M
Current			
Capital markets debt	17(a)	**-**	250
Working capital facilities	17(b)	**-**	188
Term debt	17(c)	**400**	-
U.S. private placement	17(d)	**106**	-
Syndicated facilities	17(e)	**215**	-
		721	438
Non-current			
Capital markets debt	17(a)	**2,550**	1,048
Working capital facilities	17(b)	**245**	97
Term debt	17(c)	**1,095**	1,505
U.S. private placement	17(d)	**1,126**	1,250
Syndicated facilities	17(e)	**383**	599
TIFIA	17(f)	**678**	-
		6,077	4,499
Total borrowings		**6,798**	4,937

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:

- $600.0 million credit wrapped floating rate bonds raised in November 2005 with terms of ten years ($300.0 million) and twelve years ($300.0 million) with interest currently payable at 3.0 per cent at 30 June 2014. These facilities are fully hedged with all-in rates of 7.4 and 5.0 per cent respectively. These facilities are secured by a first ranking charge over the cash flows of the Group.
- $200.0 million fixed rate bonds raised in June 2011 with a term of five years. Interest is payable at 6.8 per cent. This facility is secured by a first ranking charge over the cash flows of the Group.
- $300.0 million fixed rate bonds raised in November 2013 with a term of seven years. Interest is payable at 5.5 per cent. This facility is fully secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets.

The Group established a secured EMTN program in October 2011 with a program limit of US $2 billion. 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:

- $248.6 million of Canadian dollar denominated ($250.0 million 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 and swapped into Australian dollars with an all-in rate after hedging of 6.7 per cent. This facility is secured by a first ranking charge over the cash flows of the Group.
- $724.0 million of € denominated (€500.0 million) secured fixed rate medium term notes raised in October 2013 with a term of seven years. Interest is payable at 2.5 per cent. This facility is fully hedged with €225.0 million swapped into US Dollars and €275.0 million into Australian dollars at all-in rates after hedging of 3.5 per cent and 5.8 per cent respectively. This facility is secured by a first ranking charge over the cash flows of the Group.

17 Borrowings (continued)

(a) Capital markets debt (continued)

The Group's US entities have issued Private Activity Bonds (PABs) comprising the following:

- $238.5 million of US dollar denominated ($224.7million USD) PABs raised by Capital Beltway Express LLC (CBE)
- $256.8 million of US dollar denominated ($242.0million USD) PABs raised by 95 Express Lanes LLC (95 Express).

The Capital Beltway Express LLC Private Activity Bonds (CBE PABs) were issued in June 2008 and mature in December 2047. They are marketed weekly on the SIFMA index at a variable interest rate. The Group has entered into interest rate hedging to provide protection from movements in the variable interest rate. The CBE PABs are supported by bank-issued irrevocable direct-pay letters of credit (maturing June 2016). Agreements are in place for the letter of credit issuers to purchase the bonds should they fail to market. The collateral against the bonds is a first ranking pledge of toll revenues generated from the operation of the 495 Express Lanes.

The Virginia Small Business Financing Authority Senior Lien Revenue Bonds (95 Express Lanes LLC Project), Series 2012 PABs were issued in July 2012 at a fixed interest rate of 5 per cent. The term bonds mature July 1, 2034 ($71.7 million USD) and January 1, 2040 ($170.3 million USD). The collateral against the bonds is a first ranking pledge of toll revenues generated from the operation of the 95 Express Lanes.

The above facilities have deferred borrowing costs of $18.0 million, which are amortised over the life of the facility on a straight line basis.

(b) Working capital facilities

The Group has the following facilities in place:

- $125.0 million facility which is for a term of three years, maturing August 2016. At 30 June 2014, $115.7 million of the facility was drawn. Guarantees to the value of $0.3 million have also been issued under this multi-option facility.
- $125.0 million facility which is for a term of three years, maturing August 2016. At 30 June 2014, letters of credit to the value of $22.7 million have been issued under this multi-option facility.
- $100.0 million facility which is for a term of three years, maturing December 2016. At 30 June 2014, the facility was undrawn.
- $150.0 million facility which is for a term of three years, maturing January 2016. At 30 June 2014, $131.2 million of the facility was drawn.
- $50.0 million facility which is for a term of three years, maturing January 2016. At 30 June 2014, the facility was undrawn.
- $75.0 million facility which is for a term of three years, maturing January 2016. At 30 June 2014, guarantees to the value of $33.7 million have been issued under this multi-option facility.
- $100.0 million facility which is for a term of three years, maturing April 2017. At 30 June 2014, 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 $1.7 million.

17 Borrowings (continued)

(c) Term debt

The term debt facilities are comprised of:

- A $225.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust). The facility has deferred borrowing costs of $1.8 million.
- A $740.0 million facility entered into by Hills Motorway Management Limited (as trustee for Hills Motorway Trust), of which $400 million is current. The facility has deferred borrowing costs of $1.4 million.
- A $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 $1.1 million.
- A $276.5 million facility entered into by Transurban CCT Nominees Pty Limited (as trustee for Transurban CCT Trust). The facility has deferred borrowing costs of $1.9 million.

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 $225.0 million non-recourse syndicated facility with a term of seven years. The current floating interest rate applicable to the facility is 2.7 per cent (2013: 2.8 per cent). The facility is currently fully hedged to an all-in rate after hedging of 7.5 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 totaling $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 construction capex facility of $275.0 million with a term of six years. As at 30 June 2014, the construction capex facility was fully drawn. The current floating interest rate applicable to the total facility is 2.7 per cent (2013: 2.9 per cent). The total facility is currently 86 per cent hedged with an all-in rate after hedging of 7.1 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 2.7 per cent (2013: 2.9 per cent). The facility is currently fully hedged to an all-in rate after hedging of 4.2 per cent.

The Cross City Tunnel facility was established in June 2014 to partially finance the acquisition of the Cross City Tunnel. The facility is fully secured against the respective rights of Transurban CCT Pty Limited and Transurban CCT Trust and their assets. This facility is a non-recourse syndicated facility with a term of three years. The current floating rate applicable to the facility is 2.7 per cent. The facility is currently fully hedged to an all-in rate after hedging of 4.3 per cent.

(d) U.S. private placement

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

17 Borrowings (continued)

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

Fixed Interest Rate	**Rate**	**USD**	**AUD**	**Maturity**
		$M	**$M**	
Current				
Dec 04 - Tranche A	5.02%	100	106	Dec 2014
Non-current				
Dec 04 - Tranche B	5.17%	39	41	Dec 2016
Dec 04 - Tranche C	5.47%	109	115	Dec 2019
Aug 05 - Tranche A	5.04%	98	104	Aug 2015
Aug 05 - Tranche B	5.19%	125	133	Aug 2017
Aug 05 - Tranche C	5.35%	157	166	Aug 2020
Nov 06 - Tranche A	5.71%	57	61	Nov 2016
Nov 06 - Tranche B	5.86%	182	193	Nov 2018
Nov 06 - Tranche C	5.95%	162	172	Nov 2021
Nov 06 - Tranche D	6.06%	67	72	Nov 2026
		1,096	1,163	
Floating Interest Rate				
Dec 04 - Tranche D	3.45%		72	Dec 2019
			72	
Total US Private Placement			1,235	
Deferred borrowing costs			(3)	
Total			1,232	

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.

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 Group's US denominated liabilities. Exchange differences arising on the revaluation of the USD liabilities 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 2014, the Group has deferred $50.5 million in gains (2013: $29.7 million).

(e) Syndicated facility

These facilities comprise syndicated bank debt issued by Transurban Finance Company Pty Limited. At 30 June 2014, the following amounts were drawn:

- $215.0 million established in December 2011 which is for a term of circa three years, maturing February 2015.
- $160.0 million established in December 2011 which is for a term of circa five years, maturing February 2017.
- $125.0 million established in August 2007 which is for a term of ten years, maturing August 2017.
- $98.5 million of US denominated ($92.8 million USD) established in May 2014 which is for a term of three years, maturing May 2017.

Applicable interest rates on the Australian dollar facilities range between 3.3 and 4.5 per cent. These facilities are fully hedged with an all-in rate after hedging of 6.0 per cent. The current floating rate applicable to the US facility is 0.3 per cent.

These facilities have deferred borrowing costs of $0.8 million and are secured by a first ranking charge over the cash flows of the Group.

17 Borrowings (continued)

(f) Transportation Infrastructure Finance and Innovation Act (TIFIA)

The TIFIA program provides US federal credit assistance to transport infrastructure projects in the form of secured loans from the United Stated Department of Transport.

These facilities comprise the following:

- $589.2 million of US dollar denominated (face value $686.2 million USD) TIFIA funding raised by Capital Beltway Express LLC (CBE). This debt has been recorded at fair value on acquisition on 4 June 2014 (refer note 3).
- $88.7 million of US dollar denominated (face value $198.0 million USD) TIFIA funding raised by 95 Express Lanes LLC (95 Express). This debt has been recorded at fair value on acquisition on 4 June 2014 (refer note 3).

The CBE TIFIA facility limit is $589.0 million USD (plus accreting interest), of which $589.0 million USD is drawn and $97.2 million USD of interest has accreted against the facility. Interest accrues at 4.45 per cent and is initially accretive until five years post substantial completion of the project construction. Substantial completion was achieved on 16 November 2012 per the Amended and Restated Comprehensive Agreement. The facility matures on 31 December 2047 and is second ranking in priority to the CBE PABs.

The 95 Express TIFIA facility limit is $300 million USD (excluding capitalised interest). At 30 June 2014, $195.9 million USD is drawn and $2.1 million USD of interest has accreted against the facility. Interest accrues at 2.77 per cent and is accretive until five years post substantial completion of the project construction. The 95 Express TIFIA facility matures on 1 January 2048 and is second ranking in priority to the 95 Express PABs.

Letters of credit and corporate credit facilities

The Group has a $60 million letter of credit facility which is for a term of 3 years, maturing November 2016. As at 30 June 2014, letters of credit and bank guarantees to the value of $51.3 million have been issued under this facility. Additionally, letters of credit and bank guarantees to the value of $56.8 million have been issued under multi-option facilities (refer to note 17(b)). All letters of credit are currently undrawn and therefore no liability has been recorded.

A $7.1 million general credit facility is in place covering corporate requirements including letters of credit, bank guarantees, credit card facilities, online banking and an overdraft facility. As at 30 June 2014, $5.1 million of bank guarantees have been issued. The six month facility matures December 2014.

Covenants

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

- CityLink - ICR greater than 1.1 times
- Corporate – senior ICR greater than 1.25 times

There have been no breaches of any of these covenants during the year.

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 2014, the Group's security price would need to close below $2.16 per Security for 20 consecutive business days to trigger this clause.

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

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

17 Borrowings (continued)

Covenants (continued)

In the United States, the non-recourse debt has the following default covenant ratios:

- 495 Express Lanes – senior DSCR greater than 1.15 times *
- 95 Express Lanes – non applicable

* The first relevant calculation date for this ratio is 31 December 2015.

18 Provisions

	Notes	2014 $M	2013 $M
Current			
Employee benefits	18(a)	**20**	23
Onerous lease and restructuring provision	18(b)	**3**	4
Distribution to security holders	18(c)	**341**	230
Distribution to non-controlling interests in subsidiaries	18(c)	**39**	33
Maintenance provision	18(d)	**77**	44
		480	334
Non-current			
Employee benefits	18(a)	**6**	2
Maintenance provision	18(d)	**211**	185
Provision for contingent consideration	18(e)	**-**	15
		217	202
Total provisions		**697**	536

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 $M	Distribution to security holders $M	Distributions to non-controlling interest in subsidiaries $M	Current maintenance provision $M	Non-current maintenance provision $M	Provision for contingent consideration $M
Consolidated - 2014						
Balance at 1 July	4	230	33	44	185	15
Acquisition of subsidiary	-	-	-	30	23	-
Additional provision recognised	2	594	8	32	-	-
Amounts paid/utilised	(3)	(483)	(2)	(39)	-	-
Amounts unutilised	-	-	-	-	-	(15)
Unwinding of discount	-	-	-	-	13	-
Transfer	-	-	-	10	(10)	-
Balance at 30 June	3	341	39	77	211	-

18 Provisions (continued)

(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 above the investment case for the project.

Based on costs and reported toll revenue for the calculation period the revenue share amount under the agreement has not been triggered and the provision has been reduced to $nil at 30 June 2014.

19 Other liabilities

	Notes	2014 $M	2013 $M
Current			
Prepaid tolls	19(a)	**67**	63
Unearned income	19(b)	**9**	6
Other		**-**	3
		76	72
Non-current			
Concession and promissory notes	19(c)	**55**	58
Lease incentive		**1**	1
Other		**1**	1
		57	60
Total other liabilities		**133**	132

19 Other liabilities (continued)

(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 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 2014 is $255.0 million (2013: $240.0 million). The net present value at 30 June 2014 of the redemption payments relating to these Concession Notes is $31.3 million (2013: $35.4 million).

M2 Motorway
The Hills Motorway Trust has entered into leases with the 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 2014 is $158.6 million (2013: $147.6 million). The net present value at 30 June 2014 of the redemption payments relating to these Promissory Notes is $24.6 million (2013: $22.9 million).

20 Contributed equity

Share capital

	2014 $M	2013 $M
Fully paid stapled securities	**10,680**	7,976
	10,680	7,976

	2014 Number M	2013 Number M
Fully paid stapled securities	**1,896**	1,482
	1,896	1,482

20 Contributed equity (continued)

Stapled securities

The number of stapled securities on issue is 1,896,384,073 (2013: 1,481,594,818).

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 17.

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 security holders 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 security holders, return capital to security holders, issue new securities or sell assets to reduce debt.

Movements in ordinary share capital:

	Notes	Number of units M	Consolidated $M
Opening balance at 1 July 2012		1,458	7,848
Distribution reinvestment plan	20(a)	6	34
Transfer vesting portion of LTI from share-based payment reserve		2	3
Purchase of Performance Awards Plan units		-	(1)
Placement to Unisuper Limited	20(c)	16	100
Deferred Short Term Incentives issued	20(d)	-	3
Less: Amounts attributable to Transurban International Limited	20(b)	-	(11)
Closing balance at 30 June 2013		1,482	7,976
Opening balance at 1 July 2013		1,482	7,976
Distribution reinvestment plan	20(a)	9	64
Transfer vesting portion of LTI from share-based payment reserve		-	2
Deferred Short Term Incentives issued	20(d)	-	2
Share placement (AustralianSuper / Tawreed)	20(e)	58	400
Share issue	20(e)	347	2,296
Less: Amounts attributable to Transurban International Limited	20(b)	-	(60)
Closing balance at 30 June 2014		1,896	10,680

(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.

20 Contributed equity (continued)

(b) 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.

(c) 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).

(d) 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.

(e) Institutional and retail entitlement offer and placement

On 1 May 2014, the Group successfully completed the fully underwritten institutional component of its accelerated renounceable 10 for 43 pro rata entitlement offer at an offer price of $6.75, raising approximately $1.8 billion. The retail component of the offer was successfully completed on 29 May 2014 and raised gross proceeds of approximately $557 million.

As part of the entitlement offer, the Group also completed a placement of securities to its Queensland Motorways consortium bid partners AustralianSuper and Tawreed, raising gross proceeds of approximately $400 million.

The total gross proceeds from the entitlement offer and placement were approximately $2.7 billion, and were used to fund the Group's equity contribution for the Queensland Motorways acquisition, which completed on 2 July 2014.

21 Reserves and accumulated losses

Reserves

	2014 $M	2013 $M
Cash flow hedges	**(95)**	(95)
Share-based payments	**7**	6
Foreign currency translation	**8**	(9)
Transactions with non-controlling interests	**1**	(6)
	(79)	(104)

21 Reserves and accumulated losses (continued)

Movements:

	2014 **$M**	2013 $M
Cash flow hedges		
Balance 1 July	**(95)**	(129)
Revaluation - gross	**25**	42
Deferred tax	**(23)**	(6)
Amount attributable to non-controlling interest	**(2)**	(2)
Movement in equity accounted investment's reserve	**40**	27
Movement in equity accounted investment's reserve attributable to non-controlling interest	**(77)**	(27)
Transfer to net profit	**37**	-
Balance 30 June	**(95)**	(95)
Share-based payments		
Balance 1 July	**6**	8
Employee share plan expense	**7**	7
Transfer vesting portion of LTI to contributed equity	**(2)**	(6)
Deferred short term incentives	**(4)**	(3)
Balance 30 June	**7**	6
Foreign currency translation		
Balance 1 July	**(9)**	(12)
Currency translation differences arising during the year	**(18)**	(22)
Deferred tax (note 14)	**22**	(1)
Currency translation differences arising during the year attributable to non-controlling interest	**35**	26
Transfer to net profit	**(22)**	-
Balance 30 June	**8**	(9)
Transactions with non-controlling interests		
Balance 1 July	**(6)**	(5)
Acquisition of additional ownership in subsidiary	**-**	(1)
Transfer of values on acquisition	**7**	-
Balance 30 June	**1**	(6)

Accumulated losses

Movements in (accumulated losses) were as follows:

	2014 **$M**	2013 $M
Balance 1 July	**(4,469)**	(4,232)
Profit attributable to ordinary equity holders of the stapled group	**282**	172
Distributions to ordinary security holders	**(594)**	(456)
Transfer of profit (loss) attributable to non-controlling interest - Transurban International Limited	**(20)**	47
Balance 30 June	**(4,801)**	(4,469)

21 Reserves and accumulated losses (continued)

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, and the acquisition of the remainder of Statewide Roads Limited and Devome Pty Limited in prior years, as the Group uses the economic entity approach to transactions with non-controlling interests.

22 Distributions

	2014 $M	2013 $M
Distribution payable		
Final distribution for 2014 financial year payable and recognised as a liability: 18.0 cents (2013: 15.5 cents) per fully paid Stapled Security payable 14 August 2014		
Fully franked final dividend based on tax paid at 30% - 1 cent (2013: 3.5 cents) per fully paid Stapled Security	**19**	52
Unfranked final distribution – 14.5 cents (2013: 12.0 cents) per fully paid Stapled Security	**275**	178
Fully franked (2013: nil) final distribution based on tax paid at 30% - 2.5 cents (2013: nil) per fully paid Stapled Security	**47**	-
	341	230
Distributions paid during the year		
Final distribution for 2013 financial year of 15.5 cents (2012: 15.0 cents) per fully paid Stapled Security paid 14 August 2013		
Fully franked dividend based on tax paid at 30% - 3.5 cents (2012: 3.5 cents) per fully paid Stapled Security	**52**	51
Unfranked final distribution - 12 cents (2012: 11.5 cents) per fully paid Stapled Security	**178**	168
	230	219
Interim distribution for 2014 financial year of 17.0 cents (2013: 15.5 cents) per fully paid Stapled Security paid 14 February 2014		
Fully franked interim dividend based on tax paid at 30% - 3.5 cents (2013: 3.5 cents) per fully paid Stapled Security	**52**	51
Unfranked interim distribution - 13.5 cents (2013: 12.0 cents) per fully paid Stapled Security	**201**	176
	253	227
Total distributions paid during the year	**483**	446
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan		
Paid in cash	**418**	411
Satisfied by issue of Stapled Securities	**65**	35
	483	446

22 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:

	2014 $M	2013 $M
Cash flows from operating activities	**521**	411
Less M7 Term Loan Note interest received	**(47)**	(46)
Less M5 Term Loan Note interest received	**(2)**	
Add back payments for maintenance and intangibles	**36**	10
Less cash flows from operating activities – consolidated non 100 per cent owned entities	**(47)**	(39)
Controlled cash	**461**	336
Adjust: dividends and distributions received and maintenance expenditure		
M1 Eastern Distributor – Distribution	**26**	30
M5 Interlink – Distribution	**57**	50
M7 Term Loan Note interest	**47**	
M5 Term Loan Note interest	**2**	46
Allowance for maintenance of capital expenditure for CityLink, Hills M2 and Lane Cove Tunnel and e-Tag expenditure	**(21)**	(19)
Free cash	**572**	443
Weighted average securities on issue (millions) *	**1,690**	1,470
Underlying free cash per security (cents) - weighted average securities	**33.9**	30.1
Free cash per security (cents) - weighted average securities	**33.9**	30.1
Securities on issue (millions)	**1,896**	1,482
Underlying free cash per security (cents) - securities on issue	**30.2**	29.9
Free cash per security (cents) - securities on issue	**30.2**	29.9

** Weighted average securities on issue*
In calculating the weighted average securities on issue, securities issued on or before 31 December have been given 100 per cent weighting for the full financial year and securities issued after 31 December have been weighted for the second half of the financial year.

Franking credits

Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2013 - 30.0%)	**259**	307

23 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

	2014 **$**	2013 $
Audit and other assurance services		
Audit and review of financial reports	**1,337,000**	1,100,000
Other assurance services	**594,000**	124,800
Total remuneration for PricewaterhouseCoopers	**1,931,000**	1,224,800
Total auditors' remuneration	**1,931,000**	1,224,800

24 Contingencies

Contingent liabilities

As part of the Group's acquisition of the senior secured debt exposure to the CCT Group in December 2013, the Group will make a further payment to the Royal Bank of Scotland in the event that CCT's traffic performance materially exceeds the Group's base case assumptions and if certain other conditions are met. The amount concerned is up to $27.5 million (year four nominal dollars) over four years.

25 Intra-group Guarantees

As at 30 June 2014, 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.

26 Commitments

Capital and operating commitments

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

	2014 $M	2013 $M
Operating commitments payable:		
Within one year	**52**	58
Later than one year but not later than five years	**92**	109
Later than five years	**297**	295
	441	462
Intangible assets payable:		
Within one year	**152**	62
Later than one year but not later than five years	**-**	1
	152	63

Lease commitments

	2014 $M	2013 $M
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**-**	4
Later than one year but not later than five years	**10**	9
Later than five years	**21**	-
	31	13

Promissory Notes

Hills Motorway Management limited, as trustee of the Hills Motorway Trust, has entered into an agreement with the 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 19.

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 ten years. The leases have varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

27 Related party transactions

Transactions with joint ventures

The following transactions occurred with joint ventures:

	2014 $'000	2013 $'000
Revenue from services		
Operating electronic tolling system for Westlink M7	**3,158**	4,674
Management and business development fees	**36,344**	39,828
	39,502	44,502
Interest earned		
Term Loan Notes	**103,437**	97,386
M5 debt notes	**2,101**	843
	105,538	98,229

Loans to/from joint ventures

	2014 $'000	2013 $'000
Receivable from joint venture	**-**	5,787
Term loan notes		
Beginning of the year	**831,646**	782,667
Net interest capitalised	**55,100**	48,979
End of the year	**886,746**	831,646
M5 debt notes		
Beginning of the year	**31,220**	8,725
Amount paid	**27,098**	22,495
End of the year	**58,318**	31,220

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.

27 Related party transactions (continued)

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.

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.

28 Subsidiaries

(a) Investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2014 %	Equity holding 2013 %
CityLink Trust	Australia	Ordinary	**100**	100
CityLink Melbourne Ltd	Australia	Ordinary	**100**	100
Transurban Infrastructure Management Ltd	Australia	Ordinary	**100**	100
Transurban Ltd	Australia	Ordinary	**100**	100
Transurban Finance Trust	Australia	Ordinary	**100**	100
Transurban Finance Company Pty Ltd	Australia	Ordinary	**100**	100
Roam Tolling Pty Ltd	Australia	Ordinary	**100**	100
The Hills Motorway Ltd	Australia	Ordinary	**100**	100
Hills Motorway Trust	Australia	Ordinary	**100**	100
Transurban International Holdings Ltd	Australia	Ordinary	**100**	100
Sydney Roads Ltd	Australia	Ordinary	**100**	100
Sydney Roads Trust	Australia	Ordinary	**100**	100
Airport Motorway Trust	Australia	Ordinary	**75.1**	75.1
Airport Motorway Ltd	Australia	Ordinary	**75.1**	75.1
Statewide Roads Ltd	Australia	Ordinary	**100**	100
Tollaust Pty Ltd	Australia	Ordinary	**100**	100
LCT-MRE Pty Ltd	Australia	Ordinary	**100**	100
LCT-MRE Trust	Australia	Ordinary	**100**	100
Transurban CCT Pty Ltd	Australia	Ordinary	**100**	-
Transurban CCT Trust	Australia	Ordinary	**100**	-
TransLink Operations Pty Ltd	Australia	Ordinary	**100**	-
Sun Group Holdings 1 Pty Ltd	Australia	Ordinary	**67.5**	-
Sun Group Invest Trust	Australia	Ordinary	**67.5**	-
Transurban (USA) Operations Inc.	USA	Ordinary	**100**	100
Transurban Express Lanes LLC	USA	Ordinary	**100**	-
Capital Beltway Express LLC *	USA	Ordinary	**94**	67.5
95 Express Lanes LLC *	USA	Ordinary	**77.5**	67.5
Transurban DRIVe Holdings LLC *	USA	Ordinary	**75**	75
Transurban DRIVe USA LLC *	USA	Ordinary	**75**	75
DRIVe USA Investment LLC *	USA	Ordinary	**75**	75

* These entities were equity accounted for in prior financial years

29 Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Airport Motorway Group		**Transurban DRIVe**		**Capital Beltway Express LLC**		**95 Express Lanes**		**Sun Group [3]**	
	24.9%		**25%**		**6% [1]**		**22.5% [2]**		**37.5%**	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Summarised balance sheet	**$M**	$M	**$M**	$M	**$M**	$M	**$M**	$M	**$M**	$M
Current assets	**10**	23	**15**	-	**57**	-	**61**	-	**21**	-
Non-current assets	**2,664**	2,255	**83**	-	**1,289**	-	**689**	-	**-**	-
Current liabilities	**(186)**	(166)	**(58)**	-	**(11)**	-	**(44)**	-	**-**	-
Non-current liabilities	**(1,949)**	(1,525)	**(8)**	-	**(878)**	-	**(388)**	-	**-**	-
Net assets	**539**	587	**32**	-	**457**	-	**318**	-	**21**	-
Carrying amount of NCI	**(135)**	(146)	**(8)**	-	**(27)**	-	**(72)**	-	**(8)**	-

	Airport Motorway Group		**Transurban DRIVe**		**Capital Beltway Express LLC**		**95 Express Lanes**		**Sun Group [3]**	
	24.9%		**25%**		**6% [1]**		**22.5% [2]**		**37.5%**	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Summarised statement of comprehensive income	**$M**	$M	**$M**	$M	**$M**	$M	**$M**	$M	**$M**	$M
Revenue	**108**	101	**-**	-	**4**	-	**-**	-	**-**	-
Expenses	**(105)**	(89)	**(104)**	-	**(84)**	-	**-**	-	**(20)**	-
Profit for the year	**3**	12	**(104)**	-	**(80)**	-	**-**	-	**(20)**	-
Other comprehensive income	**(8)**	(16)	**-**	-	**-**	-	**-**	-	**-**	-
Total comprehensive income	**(5)**	(4)	**(104)**	-	**(80)**	-	**-**	-	**(20)**	-
(Profit) loss allocated to NCI	**(1)**	(3)	**26**	-	**5**	-	**-**	-	**8**	-
OCI allocated to NCI	**2**	4	**-**	-	**-**	-	**-**	-	**-**	-

29 Non-controlling interests (continued)

	Airport Motorway Group		**Transurban DRIVe**		**Capital Beltway Express LLC**		**95 Express Lanes**		**Sun Group** [3]	
	24.9%		**25%**		**6%** [1]		**22.5%** [2]		**37.5%**	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Summarised cash flows	**$M**	$M	**$M**	$M	**$M**	$M	**$M**	$M	**$M**	$M
Cash flows from operating activities	**33**	35	**1**	-	**(4)**	-	**-**	-	**(20)**	-
Cash flows from investing activities	**-**	-	**-**	-	**-**	-	**(34)**	-	**40**	-
Cash flows from financing activities	**(34)**	(40)	**-**	-	**(6)**	-	**32**	-	**-**	-
Net increases in cash and cash equivalents	**(1)**	(5)	**1**	-	**(10)**	-	**(2)**	-	**20**	-

[*] Carrying amount of non-controlling interests and (profit) loss allocated to non-controlling interests also includes $8 million relating to the CCT Group as described in note 3.
[1] Non-controlling interest of 6 per cent is derived as Transurban has a direct interest of 76 per cent and indirect interest of 18 per cent through DRIVe, thus giving the Group effective interest of 94 per cent.
[2] Non-controlling interest of 22.5 per cent is derived through Transurban's direct interest of 10 per cent and indirect interest of 67.5 per cent through DRIVe, thus giving the Group effective interest of 77.5 per cent.
[3] Sun Group refers to the group of holding companies set up for the purpose of investing in Queensland Motorways.

30 Parent entity financial information

Summary financial information

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

	2014 $M	2013 $M
Balance sheet		
Current assets	**1,352**	994
Non-current assets	**4,743**	2,381
Total assets	**6,095**	3,375
Current liabilities	**100**	183
Non-current liabilities	**4,699**	2,307
Total liabilities	**4,799**	2,490
Net assets	**1,296**	885
Shareholders' equity		
Contributed equity	**1,208**	640
Reserves	**1**	2
Retained earnings	**87**	243
	1,296	885
Profit (loss) for the year	**(85)**	307
Total comprehensive income (loss)	**(85)**	307

30 Parent entity financial information (continued)

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 31.

Contingent liabilities of the parent entity

For details of contingent liabilities of the parent entity, refer to note 24.

31 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 2014 and 30 June 2013 for the parties to the deed of the cross guarantee.

	2014 $M	2013 $M
Income statement		
Revenue	**208**	173
Operating costs	**(136)**	(115)
Depreciation and amortisation expense	**(22)**	(23)
Net finance costs	**(131)**	(132)
Loss before income tax	**(82)**	(97)
Income tax benefit	**34**	41
Loss for the year	**(48)**	(56)
Statement of comprehensive income		
Profit (loss) for the year	**(48)**	(56)
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive income for the year	**(48)**	(56)
Summary of movements in consolidated retained earnings		
Accumulated losses at the beginning of the financial year	**(478)**	(320)
Profit (loss) for the year	**(48)**	(56)
Dividends provided for or paid	**(74)**	(103)
Adjustment for opening retained earnings of entities that joined the 'closed group'	**-**	1
Retained earnings at the end of the financial year	**(600)**	(478)

31 Deed of cross guarantee (continued)

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2014 and 30 June 2013 for the parties to the deed of cross guarantee.

	2014 $M	2013 $M
Current assets		
Cash and cash equivalents	**2,347**	55
Trade and other receivables	**867**	586
Total current assets	**3,214**	641
Non-current assets		
Other financial assets	**1,709**	1,560
Property, plant and equipment	**215**	168
Deferred tax assets	**557**	565
Total non-current assets	**2,481**	2,293
Total assets	**5,695**	2,934
Current liabilities		
Trade and other payables	**3,191**	1,339
Provisions	**35**	65
Total current liabilities	**3,226**	1,404
Non-current liabilities		
Payables	**1,814**	1,320
Deferred tax liabilities	**39**	36
Provisions	**7**	10
Total non-current liabilities	**1,860**	1,366
Total liabilities	**5,086**	2,770
Net assets	**609**	164
Equity		
Contributed equity	**1,208**	641
Other reserves	**1**	1
Retained earnings	**(600)**	(478)
Total equity	**609**	164

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.

32 Events occurring after the reporting period

The financial close on the acquisition of Queensland Motorways was completed on 2 July 2014. On this date the Group raised $2,900 million in non-recourse debt to fund the acquisition, of which $2,500 million was drawn on that date.

The financial effects of this transaction have not been brought to account at 30 June 2014. The operating results and assets and liabilities of Queensland Motorways will be consolidated from 2 July 2014. Refer to note 3.

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

	2014 **$M**	2013 $M
Profit for the year	**252**	175
Depreciation and amortisation	**330**	312
Non-cash share-based payments expense	**7**	7
Non-cash finance costs	**10**	8
Share of net (profits) losses of equity accounted investments	**(115)**	10
Change in operating assets and liabilities:		
(Increase) decrease in debtors	**6**	(10)
Increase (decrease) in concession and promissory note liability	**(2)**	7
Increase in capitalised held-to-maturity investment interest	**(55)**	(49)
Increase (decrease) in operating creditors and accruals	**14**	(9)
Increase (decrease) in other operating provisions	**(1)**	5
Increase (decrease) in provision for income taxes payable	**8**	(9)
Movement in deferred taxes	**34**	(62)
Increase (decrease) in maintenance provision	**33**	26
Net cash inflow (outflow) from operating activities	**521**	411

34 Earnings per stapled security

Basic earnings per security

	2014 **Cents**	2013 Cents
Earnings per security attributable to the ordinary equity holders of the stapled group	**18.3**	11.7
	18.3	11.7

Diluted earnings per security

	2014 **Cents**	2013 Cents
Earnings per security attributable to the ordinary equity holders of the stapled group	**18.3**	11.7
	18.3	11.7

34 Earnings per stapled security (continued)

Reconciliation of earnings used in calculating earnings per security

	2014 $M	2013 $M
Basic and diluted earnings per security		
Profit from continuing operations	**236**	175
Profit from discontinued operation	**8**	-
(Profit) loss attributable to non-controlling interests	**38**	(3)
Profit attributable to ordinary equity holders of the stapled group used in calculating earnings per security	**282**	172

Profit from discontinued operation
Profit from discontinued operation is fully attributable to non-controlling interests as it was related to the CCT Group entities that were considered to be held-for-sale. Refer to note 3 for further details.

Weighted average number of securities used as denominator

	2014 Number	2013 Number
Weighted average number of securities used as the denominator in calculating basic and diluted earnings per security	**1,539,476,092**	1,470,495,508

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.

35 Net tangible asset backing

	2014	2013
	$	$
Net tangible asset backing per stapled security*	**3.00**	2.10

* 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.

36 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) (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 generate appropriate returns relative to the market.

Grant date	**Vesting / Expiry date**	**Fair value at grant date**			**Balance at start of the year**	**Granted during the year**	**Vested during the year**	**Forfeited during the year**	**Balance at end of the year**
		TSR	**EBITDA**	**FCF**	**Number**	**Number**	**Number**	**Number**	**Number**
2014									
1 Nov 2010	1 Nov 2013	$3.23	$4.62	N/A	922,476	-	(789,978)	(132,498)	-
23 Dec 2010	1 Nov 2013	$3.33	$4.97	N/A	684,683	-	(592,320)	(92,363)	-
26 Sep 2011	30 Jun 2014	$3.37	N/A	$4.63	420,872	-	(267,256)	(153,616)	-
11 Nov 2011	30 Jun 2014	$3.27	N/A	$4.81	715,024	-	(511,886)	(203,138)	-
15 Aug 2012	30 Jun 2015*	$2.72	N/A	$4.99	480,102	-	-	(113,537)	366,565
19 Oct 2012	30 Jun 2015*	$2.95	N/A	$5.43	448,400	-	-	-	448,400
14 Aug 2013	30 Jun 2016*	$3.24	N/A	$6.07	-	728,380	-	-	728,380
1 Nov 2013	30 Jun 2016*	$3.13	N/A	$6.21	-	382,292	-	-	382,292
Total					3,671,557	1,110,672	(2,161,440)	(695,152)	1,925,637

* vesting / expiry date refers to the ending date of the performance period. Actual vesting / expiry date is determined within 30 days of the release of Transurban Group's financial results for that performance period.

36 Share-based payments (continued)

Performance Awards Plan (continued)

Grant date	Vesting / Expiry date	Fair value at grant date			Balance at start of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year
		TSR	EBITDA	FCF	Number	Number	Number	Number	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	30 Jun 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

* vesting / expiry date refers to the ending date of the performance period. Actual vesting / expiry date is determined within 30 days of the release of Transurban Group's financial results for that performance period.

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 Flow component of the Performance Awards has only a non-market based vesting condition which is not considered in the valuation. The valuation of these awards takes into account the security price at grant date, and the expected dividend yield which represents the dividends over the life of the Awards that the rights holder does not receive. A discounted cash flow model is used to perform this valuation.

The Group is currently transitioning to a face value approach (discounted for distributions) for the FCF component. The transition is over 3 years and all things being equal there will be a decrease in the number of awards recipients receive until the new methodology is achieved. This transition will be completed for grants made during FY2016.

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 the first, second and third anniversaries of his employment date. 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	Granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number
2014							
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	-	(78,752)	-	157,504

36 Share-based payments (continued)

Performance Awards Plan - CEO Sign On Award Plan (continued)

Grant date	Vesting / Expiry date	Fair value at grant date	Balance at start of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	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

Short Term Deferred Incentive Plan

For the 2014 financial year, the CEO and other Senior Executives had a target STI opportunity of 30 per cent of their total remuneration package. Mandatory STI deferral of 50 per cent of the overall STI award now applies for all grants to the CEO and other Senior Executives. STI payouts can vary between zero (if targets are not met) and 150 per cent (for exceptional outperformance).

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 resident Senior Executives receive deferred cash awards. STI deferral grants are made in the form of awards. Each award is an entitlement to receive a fully paid security, or an equivalent cash payment, on terms and conditions determined by the Board. This 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).

Grant date	Vesting / Expiry date	Fair value at grant date	Balance at start of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number
2014							
15 Aug 2012	1 Jul 2014	$5.68	642,388	-	-	(79,668)	562,720
15 Aug 2013	1 Jul 2015	$6.81	-	443,736	-	-	443,736
Total			642,388	443,736	-	(79,668)	1,006,456

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

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.

36 Share-based payments (continued)

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 were eligible to participate in the Investment Tax Exempt Plan and the Investment Tax Deferred Plan for the year ended 30 June 2014. Under the plans, Transurban provides participants with a matching component toward the acquisition of the Stapled Securities. For the period 1 July 2013 to 30 June 2014, the cost of company matches was $139,918 (2013: $132,162) for the Investment Tax Exempt Plan and $314,667 (2013: $450,374) 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 2014, each participant was allocated 100 stapled securities at a value of $6.94 per security. Stapled securities provided under the Plan were acquired on the open market. Eligible US based participants received an equivalent cash award.

	2014 Number	2013 Number
Shares purchased on market under the plan and provided to participating employees	**50,800**	45,900

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 (2013: $6.6 million).

37 Key management personnel compensation

Directors

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

Chief Executive Officer and Executive Director
Scott Charlton

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

37 Key management personnel compensation (continued)

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
W Ballantine	Group General Manager, Strategy (appointed Group General Manager, Queensland, from 4 June 2014)
A Head	Group General Manager, New South Wales
S Hogg	Chief Financial Officer (departed 14 July 2014)
S Johnson	Group General Manager, Human Resources
M Kulper	President, Transurban North America (departed 3 September 2013)
T Steinhilber	Group General Manager, Project Delivery and Operational Excellence (until 14 July 2014)
L Tobin	Group General Manager, Technology
V Vassallo	Group General Manager, Victoria

Key management personnel compensation

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

	2014 **$**	2013 $
Short-term employee benefits	**11,056,992**	10,755,270
Post-employment benefits	**257,966**	232,743
Long-term benefits	**73,043**	25,335
Share-based payments	**3,645,461**	9,208,279
Deferred STIs	**1,620,545**	1,128,897
Termination benefits	**333,356**	-
	16,987,363	21,350,524

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

38 Non-cash investing and financing activities

	2014 $M	2013 $M
Distributions satisfied by the issue of stapled securities under the distribution reinvestment plan	**65**	35
	65	35

39 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 write down 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. As disclosed in note 15, 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.

The Group does not consider that there have been any indicators of impairment in relation to any of its cash generating units during the year.

39 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 considered that, up to 4 June 2014, it jointly controlled (and therefore equity accounted) Transurban DRIVe Holdings LLC (“DRIVe”) even though it owned 75 per cent of the equity, as at least 80 per cent of the membership interests were required to pass key decisions relating to operating and financing of the entity.

As disclosed in Note 3, as of 4 June 2014, following the acquisition of Capital Beltway (and its subsequent recapitalisation), as well as the purchase of Fluor’s 10 per cent equity interest in both Capital Beltway and 95 Express Lanes, the Group re-assessed its control over DRIVe. Due to the operations of the Capital Beltway and the 95 Express Lanes (which DRIVe already had a direct ownership interest in) being closely linked, it was determined that the acquisition of Capital Beltway, along with the purchase of Fluor’s 10 per cent interest in both Capital Beltway and the 95 Express Lanes, gave the Group control over DRIVe and the 95 Express Lanes.

The Group considers that control was gained over the Cross City Tunnel holding and operating entities (“CCT Group”) as of 30 December 2013, following the acquisition of the group’s debt from Royal Bank of Scotland, even though the Group’s equity ownership was nil. The CCT Group was therefore consolidated as of 30 December 2013. The subsequent acquisition of the concession asset by the Group (from the CCT Group) on 26 June 2014 had no impact on the assessment of control. See note 3 for further details.

40 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 risk arises, was as follows:

	30 June 2014			30 June 2013		
	USD$M	**CAD$M**	**EUR$M**	USD$M	CAD$M	EUR$M
Cash and cash equivalents	**145**	**-**	**-**	4	-	-
Net investment in foreign operation	**872**	**-**	**-**	474	-	-
Borrowings	**(1,421)**	**(250)**	**(500)**	(1,361)	(250)	-
Cross-currency interest rate swaps	**629**	**250**	**500**	933	250	-
Trade creditors	**-**	**-**	**-**	(4)	-	-
Net exposure	**225**	**-**	**-**	46	-	-

Exposure to other foreign exchange movements is not material.

40 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 $10,329,000 lower (2013: $24,000 lower) or $12,783,000 higher (2013: $30,000 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 more sensitive to movements in the Australian dollar/US dollar exchange rate in the current year due to an increase in US dollar cash holdings.

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 $17,209,000 lower (2013: $28,683,000 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 $22,160,000 higher (2013: $38,898,000 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 2014, 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 (2013: 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 $2,232,000 lower (2013: $2,824,000 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 $3,023,000 higher (2013: $3,972,000 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.

Based on the financial instruments held at 30 June 2014, had the Australian dollar strengthened/weakened by 5 cents against the Euro 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 Euro denominated financial instruments as detailed in the above table.

Had the Australian dollar strengthened by 5 cents against the Euro with all other variables held constant, the Group's equity would have been $15,436,000 lower. Had the Australian dollar weakened by 5 cents against the Euro with all other variables held constant, the Group's equity would have been $19,526,000 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.

40 Financial risk management (continued)

Market risk (continued)

Cash flow interest rate risk
The Group's main exposure to interest rate risk arises from cash and cash equivalents, and 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 2014, 86 per cent (2013: 87 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:

	2014		2013	
	Weighted average interest rate %	**Balance $M**	Weighted average interest rate %	Balance $M
Cash and cash equivalents	**2.4%**	**(2,879)**	3.6%	(259)
Floating rate borrowings	**3.4%**	**3,257**	3.9%	3,072
Interest rate swaps (notional principal amount)	**2.5%**	**(2,808)**	2.9%	(2,686)
Net exposure to cash flow interest rate risk		**(2,430)**		127

An analysis by maturities is provided in Liquidity risk below.

Sensitivity
At 30 June 2014, 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 $24,296,000 higher/lower (2013: $1,270,000 lower/higher). Profit is more sensitive to movements in interest rates in 2014 than 2013, due mainly to an increase in cash holding, as a result of the acquisition of Queensland Motorways which completed on 2 July 2014.

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 11 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.

40 Financial risk management (continued)

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.

Financing arrangements
The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2014 $M	2013 $M
Floating rate		
- Expiring within one year	**-**	16
- Expiring beyond one year	**421**	202
	421	218

The Group also has a letter of credit facility and a general credit facility in place with undrawn capacity of $8.7 million at 30 June 2014 (refer to note 17).

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 2014	**1 year or less $M**	**Over 1 to 2 years $M**	**Over 2 to 3 years $M**	**Over 3 to 4 years $M**	**Over 4 to 5 years $M**	**Over 5 years $M**	**Total contractual cash flows $M**	**Carrying amount (assets)/ liabilities $M**
Non-derivatives								
Non-interest bearing	**497**	**-**	**-**	**-**	**-**	**405**	**902**	**554**
Variable rate	**723**	**521**	**1,310**	**447**	**232**	**488**	**3,721**	**3,257**
Fixed rate	**225**	**422**	**204**	**234**	**601**	**5,339**	**7,025**	**3,541**
Total non-derivatives	**1,445**	**943**	**1,514**	**681**	**833**	**6,232**	**11,648**	**7,352**

40 Financial risk management (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities **At 30 June 2014**	**1 year or less $M**	**Over 1 to 2 years $M**	**Over 2 to 3 years $M**	**Over 3 to 4 years $M**	**Over 4 to 5 years $M**	**Over 5 years $M**	**Total contractual cash flows $M**	**Carrying amount (assets)/ liabilities $M**
Derivatives								
Net settled (interest rate swaps)	**86**	**65**	**41**	**24**	**11**	**32**	**259**	**227**
Net settled (cross-currency interest rate swaps/fx forwards)	**55**	**48**	**52**	**48**	**38**	**(26)**	**215**	**190**
Total derivatives	**141**	**113**	**93**	**72**	**49**	**6**	**474**	**417**

At 30 June 2013	1 year or less $M	Over 1 to 2 years $M	Over 2 to 3 years $M	Over 3 to 4 years $M	Over 4 to 5 years $M	Over 5 years $M	Total contractual cash flows $M	Carrying amount (assets)/ liabilities $M
Non-derivatives								
Non-interest bearing	322	-	-	-	-	390	712	380
Variable rate	304	1,168	653	537	445	303	3,410	3,072
Fixed rate	358	225	414	199	226	1,287	2,709	1,866
Total non-derivatives	984	1,393	1,067	736	671	1,980	6,831	5,318
Derivatives								
Net settled (interest rate swaps)	97	72	41	22	11	8	251	228
Net settled (cross-currency interest rate swaps/fx forwards)	7	30	27	32	24	15	135	126
Total derivatives	104	102	68	54	35	23	386	354

40 Financial risk management (continued)

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 2014 and 30 June 2013:

30 June 2014	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Derivatives used for hedging	**-**	**16**	**-**	**16**
Total assets	**-**	**16**	**-**	**16**
Liabilities				
Derivatives used for hedging	**-**	**433**	**-**	**433**
Total liabilities	**-**	**433**	**-**	**433**

30 June 2013	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
Derivatives used for hedging	-	11	-	11
Total assets	-	11	-	11
Liabilities				
Derivatives used for hedging	-	365	-	365
Total liabilities	-	365	-	365

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 54 to 143 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 2014 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 31 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 31.

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
5 August 2014

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 2014, the income statement, 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, Transurban Holding Trust and Transurban International Limited and the entities they controlled at 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. Those 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 group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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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 2014 and of its performance for the year ended on that date; and

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

(b) the financial report 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 21 to 50 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
5 August 2014