
Transurban Group

Appendix 4E

Year ended 30 June 2018

(Previous corresponding period:
Year ended 30 June 2017)

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 market¹

Statutory results compared to the prior period

- Revenue from ordinary activities increased 20.7 per cent to \$3,298 million;
- Profit from ordinary activities after tax increased 124.0 per cent to \$468 million;
- Profit from ordinary activities after tax excluding significant items increased 134.3 per cent to \$489 million;
- Earnings before depreciation and amortisation, net finance costs, equity accounted investments and incomes taxes (EBITDA) increased 8.1 per cent to \$1,649 million;
- EBITDA excluding significant items increased 9.5 per cent to \$1,670 million;
- Net profit attributable to security holders of the stapled group increased 102.5 per cent to \$485 million; and
- Net profit attributable to security holders of the stapled group, excluding significant items increased 111.5 per cent to \$506 million.

Proportional results compared to the prior period

- Toll revenue increased 8.7 per cent to \$2,340 million;
- EBITDA increased 8.9 per cent to \$1,775 million;
- EBITDA excluding significant items increased 10.2 per cent to \$1,796 million; and
- Free cash decreased 0.5 per cent to \$1,215 million.

Distributions

	Amount per Security cents	Franked amount per Security %
Final distribution (declared prior to balance date)	25.5	-
Final dividend (declared prior to balance date)	2.5	100
	28.0	
Interim distribution for the current year	25.5	-
Interim dividend for the current year	2.5	100
	28.0	
Final distribution (prior year)	23.0	-
Final dividend (prior year)	3.5	100
	26.5	
Record date for determining entitlements to the final current year distribution and dividend		29 June 2018
Date of payment of final distribution		10 August 2018

¹ Figures used for calculating percentage movements are based on whole numbers.

Distribution Reinvestment Plan

The issuance of new securities under the Distribution Reinvestment Plan is suspended for the final distribution for the six months ending 30 June 2018.

Explanation of results

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

This document includes presentation of results on a statutory as well as non-statutory basis. The non-statutory basis includes proportional toll revenue, proportional EBITDA, underlying proportional EBITDA and free cash.

Significant items are those items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. These items have been disclosed in Note B6 to the Financial Report.

Proportional results

Proportional EBITDA excluding significant items 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 Transurban'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 Transurban's percentage ownership as well as the contribution from central Group functions.

Proportional EBITDA is reconciled to the statutory income statement on Note B4 of the Financial Report.

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 broadly calculated as statutory cash flow from operating activities from 100 per cent owned subsidiaries, plus distributions and interest received from non 100 per cent owned subsidiaries and equity accounted investments, plus capital releases from 100 per cent owned assets less debt amortisation from 100 per cent owned assets, adjusted to include the allowance for maintenance of intangible assets and exclude cash payments for maintenance of intangible assets.

Net tangible asset backing

	30 June 2018	30 June 2017
	\$	\$
Net tangible asset backing per stapled security*	2.83	2.60

(*) - 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.

Entities over which control has been gained or lost

The Group gained control over the following entities that hold the A25 concession on 5 June 2018:

- Concession A25, L.P.
- Concession A25 Funding Ltd.
- Concession A25 Funding 2 Ltd.
- MIP Quebec Holdings, L.P.
- MIP Quebec Trustee Ltd.
- MIP U.S. A25 Holdings ULC
- MIP International A25 Holdings ULC

From the date of acquisition to 30 June 2018, revenue of \$4 million and a loss after tax of \$25 million was included in profit after tax with regard to A25. Excluding significant items related to the acquisition, A25 contributed a net loss after taxation of \$4 million.

Investments in associates and joint venture entities

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

Name of company	Ownership interest		Net profit contribution to the Transurban Group	
	2018 %	2017 %	2018 \$M	2017 \$M
North Western Roads Group Trust	50.0	50.0	-	-
North Western Roads Group Pty Ltd	50.0	50.0	-	-
NorthConnex State Works Contractor Pty Ltd	50.0	50.0	-	-
Interlink Roads Pty Ltd	50.0	50.0	33	25
Bluedot Innovation, Inc.	20.0	-	-	-
			<u>33</u>	<u>25</u>

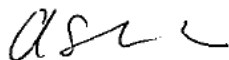
1. *Transurban's share of net profits of the North Western Roads Group are not recognised due to the North Western Roads Group's historical accumulated loss position.*

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 an ASX Release.

Audit

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



Amanda Street
Company Secretary
7 August 2018

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 2018

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Directors' report

The Directors of Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') and its controlled entities ('Transurban', 'Transurban Group' or 'the Group'), Transurban International Limited and its controlled entities ('TIL'), and Transurban Infrastructure Management Limited ('TIML'), as responsible entity of Transurban Holding Trust and its controlled entities ('THT'), present their report on the Transurban Group for the financial year ended 30 June 2018 ('FY18'). The controlled entities of THL include the other members of the stapled group being TIL and THT.

Principal activities

Transurban is an integrated transport company. The principal activities of the Group during the financial year were the development, operation, maintenance and financing of toll road assets as well as management of the associated customer and government relationships.

Operating and financial review

Figures used for calculating percentage movements in the Directors' report are based on whole numbers.

Executive Summary

Financial year 2018 has been another successful year for Transurban with the following key highlights:

Statutory results:

- Toll revenue increased 8.0 per cent to \$2,249 million;
- Profit from ordinary activities after tax increased 124.0 per cent from \$209 million to \$468 million;
- Profit from ordinary activities after tax excluding significant items¹ increased 134.3 per cent from \$209 million to \$489 million;
- Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income taxes ('EBITDA') increased 8.1 per cent to \$1,649 million;
- EBITDA excluding significant items¹ increased 9.5 per cent to \$1,670 million;
- Net profit attributable to security holders of the stapled group increased 102.5 per cent to \$485 million; and
- Net profit excluding significant items¹ attributable to security holders of the stapled group increased excluding significant items¹ 111.5 per cent to \$506 million.

Proportional results:

- Average Daily Traffic (ADT) increased 2.2 per cent;
- Toll revenue increased 8.7 per cent to \$2,340 million;
- EBITDA² increased by 8.9 per cent to \$1,775 million;
- EBITDA² excluding significant items increased by 10.2 per cent to \$1,796 million; and
- Free cash decreased 0.5 per cent to \$1,215 million.

1. Significant items are those items where their nature and amount is considered material to the financial statements and not in the ordinary course of business. Refer to note B6 of the Group financial statements for further information.

2. Refer to Note B4 of Group financial statements for the definition of proportional EBITDA.

Operating and financial review (continued)

Other highlights:

- Financial close on the West Gate Tunnel (WGT) Project in Melbourne;
- Acquisition of the A25 toll road and bridge in Montreal, Canada;
- 395 Express Lanes project reached financial close in the Greater Washington Area (GWA);
- Retail tolling brand Linkt launched across Brisbane, Sydney and Melbourne;
- \$4.8 billion of debt raised with minimal debt to be refinanced in FY19;
- \$1.9 billion of equity raised from an entitlement offer;
- Improved and reduced fee structures for Australian customers; and
- Completion of the CityLink Tulla Widening (CTW) Project in Melbourne providing travel time savings to customers.

A distribution of 28.0 cents per stapled security will be paid for the six months ended 30 June 2018 on 10 August 2018. This takes the total distribution for FY18 to 56.0 cents per stapled security, of which 5.0 cents will be fully franked. Further details of the distribution is presented in note B10 of the financial statements.

Our business

Population growth is putting demands on cities across the world and, for many, traffic congestion is impacting living standards and productivity.

Partnering with governments to address these challenges is at the core of Transurban's business and we are undertaking major development projects in each of our regions to create more efficient transport routes and ease congestion.

In Sydney, construction is underway on the NorthConnex tunnel to link the city's north to the orbital network and form part of the National Highway route. In Melbourne, construction has begun on the WGT Project to create a vital alternative to the West Gate Bridge.

We are also creating additional capacity and upgrading a number of assets, including the Logan Enhancement Project and the Gateway Upgrade North in Brisbane and have recently completed the City Tulla Widening Project.

In the GWA, we are extending the northern end of the 95 Express Lanes for 11km to the Washington DC border to ease congestion in the corridor as part of the 395 Express Lanes Project.

The nature of the response to address the population challenge is changing. Technology is providing the opportunity for sophisticated and innovative solutions that look beyond physical engineering. Advanced on-road technologies, such as freeway management systems are giving us the opportunity to increase the efficiency of both existing roads as well as new projects. Data and advanced analytics capability allow us to further optimise our roads to provide drivers with more efficient journeys.

Furthermore, the increase in ride-hailing and ride-sharing services, electric and autonomous vehicles, integrated transport platforms and transport-on-demand apps will give customers greater certainty, choice and convenience in how they travel. These technologies will converge and combine in many different ways that we cannot predict yet, but will fundamentally change urban mobility.

At Transurban, we have been building our capability over a number of years and today almost 40 per cent of our workforce is in technology with a focus on data, network performance and security. We have introduced apps to customers who are increasingly wanting to manage their toll road travel through digital channels and we have launched the world's first GPS tolling app. LinktGO allows drivers to see their toll travel in real time and pay trip-by-trip using their smartphones with no ongoing commitment. The app provides greater convenience for occasional toll road users.

As a first step to preparing our roads for an automated future, Transurban is running a series of trials on motorways in Melbourne, Sydney and GWA to investigate how connected and autonomous vehicles respond to road infrastructure such as signs, lines, signals and ramps. Autonomous vehicles will bring significant safety and efficiency benefits as well as providing more travel options for disadvantaged groups, presenting greater potential for more efficient transport networks.

Operating and financial review (continued)

Strategy and risk management

Transurban's strategy is to be the partner of choice with governments and we aim to achieve this through the ongoing management of our existing road networks and by applying our unique skills to the infrastructure challenges in our markets.

Our core capabilities are:



Customer experience



Operations



Community engagement



Technology



Development / delivery



Network planning / forecasting

Sustainability Strategy

Transurban's Sustainability Strategy is fundamental to our day-to-day business activities and to our long-term objectives.

The strategy's three pillars – be good neighbours, use less and think long term - guide us in how we manage our operations, deliver new projects and identity and plan future initiatives.

Ultimately, this strategy helps ensure we consistently deliver tangible benefits to communities, customers, employees and business partners.

We have made a number of commitments under the Sustainability pillars and report against them each year in our Sustainability Report.

Sustainability pillar	Areas	Specific commitments
Be Good Neighbours 	Health, Safety and Environment	Provide a healthy and safe environment for our employees, contractors, customers and the community and minimise environmental impacts
	Diversity and inclusion	Maximise diversity within Transurban and encourage the same with our suppliers
	Reconciliation	Strive to advance reconciliation in Australia through the Reconciliation Action Planning process
	Shared value	Partner with not-for-profit organisations to identify and pursue opportunities that help address key social or environmental issues related to transport
	Community engagement and economic development	- Thoroughly consult communities and other key stakeholders when planning and designing new projects and keep communities informed on their areas of interest - Seek to contribute to the social and economic health of communities where we operate by favouring local recruitment and procurement strategies
	Customer experience	- Make it easy for customers to use and understand our toll roads, offering choices to meet their individual needs - Show we care about customers by listening to them, being transparent and flexible - Add value for customers by creating meaningful experiences that reflect what is important to them

Operating and financial review (continued)

Sustainability pillar	Areas	Specific commitments
Use Less 	Carbon neutrality	Work towards becoming a carbon-neutral organisation and meet our energy needs predominantly through renewable energy
	Whole-of-life sustainability	- Examine and challenge the way we plan, design, construct and operate assets to reduce their whole-of-life impact while maintaining or improving their economic performance including: - Reducing energy demand and embodied energy in materials - Minimising potable water use and beneficially reusing water - Avoiding where possible clearing of valued natural areas and offsetting where impacts are realised - Reducing the amount of materials used; favouring low impact materials - Avoiding, reducing, reusing and recycling wastes
Think Long Term 	Climate change	Identify and respond to climate change-related risks for new assets and regularly review risks for current assets and Transurban as a whole
	Sustainable infrastructure funding	Advocate for fair and sustainable infrastructure funding models through thought leadership, research and public discussion
	Technology and innovation	Prepare our infrastructure and the community for emerging technology including automated and electric vehicles

Safety

Our highest priority is ensuring our people and customers get home safely. We're focused on providing a healthy and safe environment for our employees, contractors, customers and the community while minimising impacts to the environment.

Knowing and understanding our risks in Health, Safety and Environment (HSE) is integral to how we make decisions. We aim to eliminate or reduce risks that could cause injury or have an environmental impact on our roads and workplaces. We also seek to identify opportunities to innovate and embrace new technologies to enhance HSE outcomes for all stakeholders.

We have a number of HSE key performance indicators (KPIs) to help us to track our performance, evaluate our success and ensure that we are meeting our goals. These indicators also help us identify where we need to improve. Some of our HSE KPIs include:

- Road Injury Crash Index
- Recordable Injury Frequency Rate of both employees and contractors, and
- HSE leadership including recording proactive HSE events and developing HSE Action Plans

Our HSE performance is included in the Remuneration Report.

Risk management

Understanding the risks that we face and effective management of these risks is crucial to ensuring we achieve our objectives and meet our sustainability commitments.

We regularly review the effectiveness of our risk management approach and culture, and improve it where appropriate.

Across Transurban, we identify and assess our risks in a consistent manner and design and implement proactive treatments and contingency plans. Our risks are subject to regular and systematic review to determine how effective their management activities are and whether any enhancements are appropriate.

Our Risk Management Policy is available on our website at: transurban.com/about-us/corporate-governance

Operating and financial review (continued)

Financial risk management

Transurban's exposure to financial risk management and its policies for managing that risk can be found in the Financial Risk Management notes in the financial statements – note B15. This section discusses Transurban's hedging policies, credit risk, interest rate risk and liquidity and funding policies.

People

We aim to create an environment where our people are encouraged to reach their full potential, and are recognised and rewarded for their achievements. We also aim to celebrate the different cultures of our employees and believe it is important that our workforce reflects the broader population.

This year, our Employee Pulse Survey showed that 83 per cent of employees are proud to work for Transurban and the overall Engagement score of 75 per cent is above the Global norm.

The pulse survey rated Leadership Effectiveness at 85 per cent, which is significantly higher than the Global norm and in line with the Best in Class norm of top 25 per cent of global organisations.

We are dedicated to the ongoing development of our current and future leaders. Senior leaders attend an annual Senior Leadership Program and there is a continued focus on building greater leadership capability across all levels of the organisation and attracting the next generation of Transurban leaders and professional / technical experts through our Graduate program.

We conduct a bi-annual talent review with the Executive and Senior Leadership teams. This review helps identify high potential individuals who have the ability to move into Senior Leadership or Executive roles, or those who may be able to move outside of their area of technical expertise.

A program with Melbourne's Monash University gives 12 students the opportunity to work across the organisation. We also have a Females Excelling in Engineering and Technology (FEET) program with 44 students completing 35 hours of mentoring across the business in FY18.

We offer a range of employee benefits including an employee share scheme and group insurance including salary continuance, death and permanent disablement insurance cover.

There is ongoing focus on Diversity and Inclusion, and progressing our key priority areas of gender diversity, cultural diversity and workplace flexibility. In FY18, we received the Employer of Choice for Gender Equality award for the fourth year in a row from the Workplace Gender Equality Agency. We have enhanced our parental leave provisions including paying superannuation on the unpaid portion of primary carer's leave. We conduct an annual pay equity review with a focus on achieving a zero pay gap.

Business risks and opportunities

As with any business, a number of variables have the potential to impact our operation and financial results.

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

- Ability to leverage capabilities to enhance motorway networks;
- Greater than forecast traffic volumes;
- Integration of consistent technology and systems to enhance network footprint;
- Ability to harness knowledge and experience to drive operations and maintenance;
- Identification of new business opportunities in Transurban's target markets;
- Ability to rapidly harness our technology and services to develop new projects; and
- Application of sustainability initiatives to enhance road user and local community experiences.

Operating and financial review (continued)

Business risks and opportunities (continued)

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

- Maintaining a social license to operate;
- Reduced traffic volumes or an inability to grow traffic volumes;
- Change in government policies or regulatory interpretations;
- Evolving regulatory environment;
- Competitor growth or behaviour;
- Access to suitable financing arrangements;
- Safety incidents through operations or driver behaviour;
- Failure to respond effectively to incidents;
- Dependency on the services of key contractors and counterparties;
- Unfavourable changes to market or operating conditions;
- Effective and timely delivery of major projects;
- External cyber-attacks and failure to protect our information; and
- Failure of technical infrastructure.

Asset portfolio at 30 June 2018

OVERVIEW	MELBOURNE		SYDNEY						
	CityLink	WGT	M5	M2	ED	M7	NCX	LCT	CCT
TU ownership	100%	100%	50%	100%	75.1%	50%	50%	100%	100%
Opening date	Dec 2000	Under construction	Aug 1992	May 1997	Dec 1999	Dec 2005	Under construction	Mar 2007	Aug 2005
Remaining concession period	17 years	22 years ¹	8 years	30 years	30 years	30 years	28 years ²	30 years	18 years
Concession end date	Jan 2035 ³	Jan 2045	Dec 2026	Jun 2048	Jul 2048	Jun 2048	Jun 2048	Jun 2048	Dec 2035
OVERVIEW	BRISBANE						NORTH AMERICA		
	Gateway Motorway	Logan Motorway	Clem7	Go Between Bridge	Legacy Way	AirportLinkM7	495 Express Lanes	95 Express Lanes	A25 ⁴
TU ownership	62.5%	62.5%	62.5%	62.5%	62.5%	62.5%	100%	100%	100%
Opening date	Dec 1986	Dec 1988	Mar 2010	Jul 2010	Jun 2015	Jul 2012	Nov 2012	Dec 2014	May 2011
Remaining concession period	33 years	33 years	33 years	45 years	47 years	35 years	69 years	69 years	24 years
Concession end date	Dec 2051	Dec 2051	Aug 2051	Dec 2063	Jun 2065	Jun 2053	Dec 2087	Dec 2087	Sept 2042

1. Concession period from expected opening date in late 2022.

2. Concession period from expected opening date in late 2019.

3. 10 year extension to CityLink concession to 2045 as part of the WGT Project required the successful passage of legislation through the Victorian parliament. In the event that this passage is not successful, the Victorian government will replace this funding source with completion/substation payments.

4. A25 income includes fixed availability payments received from the government and guaranteed minimum toll income.

Operating and financial review (continued)

Performance and outlook

Year ended 30 June 2018 highlights

Statutory results

	FY18 \$M	FY17 \$M
Toll revenue	2,249	2,083
EBITDA	1,649	1,526
Net profit for the year	468	209
EBITDA excluding significant items	1,670	1,526
Income tax benefit	179	35
Net profit after tax attributable to the ordinary security holders of the stapled group	485	239

Movements in statutory net profit after tax have been influenced by:

- Increase in toll revenue from existing assets driven by traffic growth and toll price escalation;
- Toll revenue contribution from A25 since Financial Close;
- Significant items of \$21 million in FY18 relate to transaction and integration costs associated with the acquisition of A25; and
- Increase of \$105 million in income tax benefit from the recording of previously unbooked tax losses in the Group's US operations.

Proportional EBITDA

Segment information in note B4 to the financial statements presents the proportional result for Transurban Group, including reconciliations to the statutory result. Management considers proportional EBITDA to be the best indicator of asset performance. The table below also provides FY17 results adjusted to exclude certain acquisitions and new assets so as to compare the performance of the existing business to the prior year result.

	FY18 \$M	FY17 \$M	% Change	FY18 Adjusted \$M¹	FY17 \$M	% Change
Toll revenue	2,340	2,153	8.7%	2,335	2,153	8.5%
Other revenue	56	51	8.6%	55	51	6.3%
Total costs	(600)	(575)	4.5%	(599)	(575)	4.2%
EBITDA excluding significant items	1,796	1,629	10.2%	1,791	1,629	9.9%

1. Excludes contributions associated with A25

Movements in proportional EBITDA during the period have been influenced by:

- Increase in toll revenue from existing assets driven by traffic growth and toll price escalation; and
- Toll revenue contribution from A25 since Financial Close.

Operating and financial review (continued)

Financial position

	FY18	FY17
Market capitalisation – 30 June	\$26,630M	\$24,320M
Securities on issue – 30 June	2,225M	2,052M
Cash and cash equivalents	\$1,130M	\$988M
Gearing ¹	35.2%	35.3%

1. Calculated using proportional debt to enterprise value, exclusive of issued letters of credit. Security price was \$11.85 at 30 June 2017 and \$11.97 at 30 June 2018 with 2,052 million securities on issue at 30 June 2017 and 2,225 million securities on issue at 30 June 2018.

Transurban's operating assets are primarily long-life intangible assets (concession assets), representing the provision by government entities for the right to toll customers for the use of the assets. Concession assets represent 79 per cent of the total assets of the Group. Concessions typically range from approximately 30 to 80 years, and for accounting purposes the carrying values are amortised on a straight line basis over the duration of the concession.

Free cash

	FY18	FY17	% Change
Free cash	\$1,215M	\$1,220M	(0.5%)
Weighted average securities eligible for distribution ¹	2,140M	2,048M	4.5%
Free cash per security (cents)	56.8	59.6	(4.7%)

1. New securities issued during the year are included only to the extent they were eligible for the interim and/or final distribution.

Movements in free cash during the period have been influenced by:

- EBITDA and cash flow increases from 100 per cent owned assets;
- Increase in distributions from non 100 per cent owned asset including M5 distribution which was deferred from FY17 into FY18; and
- Favourable net finance costs.
- FY17 free cash included 8.5 CPS relating to a capital release from the NorthWestern Roads Group. Excluding this capital release FY17 free cash was 51.1 CPS.

FY19 Outlook

The FY19 distribution guidance of 59.0 cents per security is an increase of 5.4 per cent on the FY18 distribution.

Transurban aims to provide value to our shareholders through distributions and targets distribution of approximately 100 per cent of free cash flow over time.

FY19 will also see the \$10 billion pipeline of development projects continue to progress.

Operating and financial review (continued)

Segment performance

Segment and toll revenue contribution	Sydney 40.4%	Melbourne 33.3%	Brisbane 16.8%	North America 9.5%
Toll revenue growth	8.3%	13.4%	2.1%	7.1%
EBITDA growth	9.1%	15.7%	4.0%	12.4%
ADT growth	3.1%	1.4%	2.6%	1.9%
Comments	Toll revenue growth due to strong traffic for the period and toll revenue increases Closing Cleveland Street off-ramp improved safety and traffic on Eastern Distributor and South Dowling Street (non-tolled alternative)	Traffic growth has improved following completion of CTW works in January 2018 but continues to be impacted by State works Strong toll revenue growth due to full year of CTW truck toll multiplier increase, after enhancing important freight route	Revenue impacted by lower fee income due to improved arrangements with customers, including the aggregation of Notices of Demand whereby trips made over a three-day period are bundled together and incur a single administration fee	Traffic growth for FY18 in GWA relative to high growth in previous corresponding period due to wider transport network activities A25 asset in Montreal reached financial close in June 2018

Segment operations and development

Melbourne

Operations	Development
- Six month 100km/h dynamic speed trial commenced in March on Western Link - Increased time savings for customers without impacting safety - Transurban's incident response services extended beyond CityLink to WGT Project construction areas between Williamstown Road and the M80 - Transurban now manages incident response on 35km of Melbourne's road network - Linkt tolling brand introduced in July 2018 improving customer choice and reducing fees	West Gate Tunnel Project - Over 2,000 workers on site - Planning scheme amendment passed through both houses of Victorian Parliament - Legislative approval for the Citylink funding sources is pending. The State has confirmed that it is Government policy intention to implement the necessary legislative support for the CityLink concession deed amendments during the WGT Project construction period - Community visitor centre now open at tunnel site - North Yarra main sewer relocation works underway - Work zones established along the length of the West Gate Freeway through lane alignment - Tunnel boring machine (TBM) manufacture progressing and planned for delivery early 2019 \$0.9 billion spent to 30 June 2018 - Project completion expected in 2022

Operating and financial review (continued)

Segment operations and development (continued)

Sydney

Operations	Development
▪ Maintenance and incident response contractor, Ventia, commenced maintenance services on Lane Cove Tunnel and the Hills M2 from July 2018 and will commence incident response services from October 2018 ▪ A six-month trial closure of the Cleveland Street off-ramp showed a 4% improvement in weekday motorway speeds and travel time benefits along the Eastern Distributor and the adjacent South Dowling Street (non-tolled alternative). The closure was made permanent in February 2018 ▪ Subject to customary closing conditions, Transurban has agreed to acquire an additional 8.24% equity interest in the M5 motorway, taking its total equity interest to 58.24%. Once financial close is reached Transurban will consolidate the M5 in its statutory accounts	NorthConnex ▪ Majority of tunnelling completed with excavation of the tunnel's top heading 99% complete ▪ The delivery timeframe is currently under review. Project expected to remain within Transurban's budget ▪ Construction of surface structures has commenced ▪ Filling of the former Hornsby Quarry with NorthConnex spoil is nearing completion with 90% of the target 900,000 cubic metres deposited ▪ M2 Integration Project was completed in May 2018, one month ahead of schedule

Brisbane

Operations	Development
▪ AirportlinkM7 operations insourced as part of broader tunnel integration program ▪ New Operations and Maintenance (O&M) contract executed on open road assets with Gateway Motorway Services ▪ Delivery of O&M services on Inner City Bypass (ICB) to follow project completion in August 2018 ▪ Linkt tolling brand introduced, enhancing customer services, reducing fees and introducing new digital platforms ▪ Improved fee arrangements for customers include Notices of Demand aggregation whereby trips made over a three-day period are bundled together with a single administration fee	Logan Enhancement Project (LEP) ▪ Total project cost of \$512 million, increasing capacity and safety in key areas of the Logan Motorway ▪ Project expected to be completed in late FY19 ▪ Logan and Gateway HCV tolls increasing post completion ▪ \$2 million community investment as part of the project Gateway Upgrade North ▪ Construction 90% complete ▪ First rest stop for heavy vehicles as part of the project will open in mid FY19 Inner City Bypass ▪ Transurban Queensland is project managing and financing the delivery of the \$60 million ICB upgrade ▪ Additional lanes on ICB and new on-ramp due to open mid-Aug 2018

Operating and financial review (continued)

North America

Operations	Development
95 Express Lanes Successful integration and operation of the two mile extension to the southern end of the 95 Express Lanes	395 Express Lanes 395 Express Lanes construction expected to be completed in FY20
A25 - Asset assessments complete and in line with expectation - Lifecycle and maintenance approach alignment underway - Integration activities to be performed by the combined Transurban and A25 teams and are expected to be completed in FY19	Fredericksburg Extension Design-build request for proposal for the Fredericksburg Extension project issued with financial close expected in FY19

Financing activities

During the reporting period Transurban completed a number of financing activities including:

<i>Jul 2017</i>	Transurban Finance Company Pty Ltd, the Group's financing vehicle, successfully closed a new A\$1.1 billion syndicated bank debt facility.
<i>Jul 2017</i>	Debt financing for the 395 Express Lanes Project including approximately US\$233 million in private activity bonds (par amount) and a US\$45 million loan from the Virginia Transportation Infrastructure Bank.
<i>Aug 2017</i>	Westlink M7 settled \$200 million of US Private Placement Notes (the "Notes"). The notes were priced in May 2017 and issued in two tranches of \$100 million each, with tenors of 12 and 15 years respectively.
<i>Sept 2017</i>	Transurban Finance Company Pty Limited, the Transurban Group's financing vehicle, has priced €500 million of senior secured 10.5 year notes (the "Notes") under its Euro Medium Term Note Programme.
<i>Nov 2017</i>	Hills M2 successfully raised \$407 million of non-recourse debt via a new bank debt facility with a tenor of 5 years.
<i>Dec 2017</i>	Transurban Finance Company Pty Ltd successfully closed a new \$550 million tranche of syndicated bank debt.
<i>Apr 2018</i>	Transurban Queensland (TQ) successfully raised \$954 million of debt via a new bank debt facility with a tenor of 18 months.
<i>Apr 2018</i>	TQ successfully priced CHF 200 million of senior secured Swiss debt maturing December 2025 (the "Notes") under its Euro Medium Term Note Programme.
<i>Apr 2018</i>	TQ successfully priced USD 500 million of senior secured, 10 year USD Reg S debt (the "Notes") under its Euro Medium Term Note Programme.
<i>May 2018</i>	The Eastern Distributor (ED) successfully raised \$226 million of non-recourse debt via a new bank debt facility with a tenor of 4 years.

There were no changes to the Transurban Group ratings provided by Standard and Poor's Financial Services LLC rating service, Moody's Investors Services Inc. or Fitch Ratings Inc. during the period.

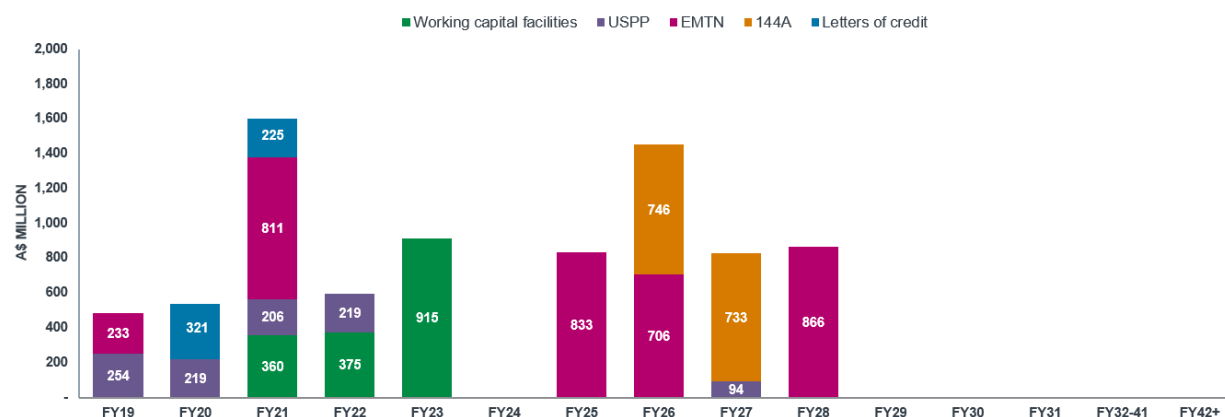
Operating and financial review (continued)

Debt maturity profiles

The following charts show the Group's current debt maturity profile based on the total facilities available. The charts show the debt in the financial year it matures and in the case of the non-recourse debt, the full value of the debt facilities has been shown as this is the value of debt for refinancing purposes.

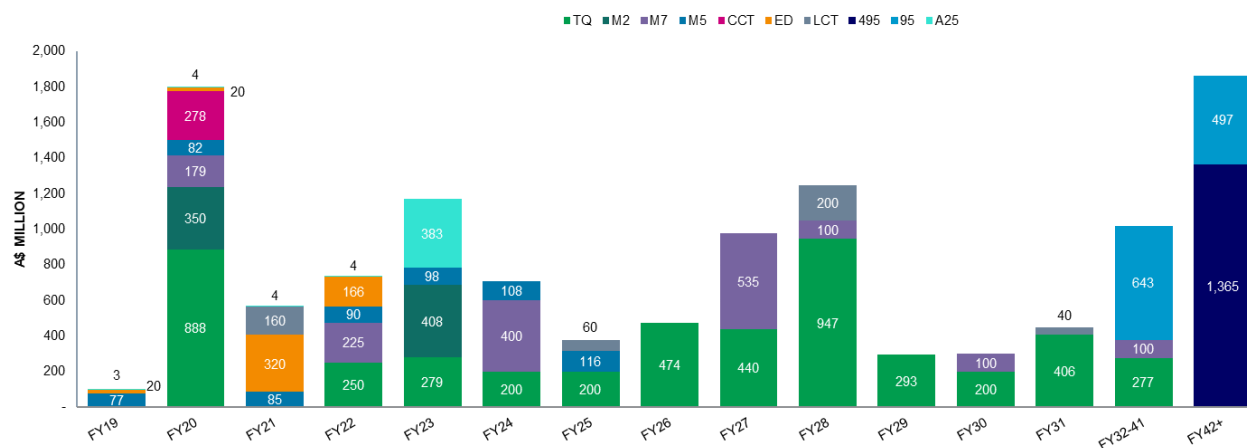
The debt values are shown at 30 June 2018, with US, Euro, Canadian and Swiss denominated debt converted at the hedged rate where cross currency swaps are in place. Unhedged US dollar debt has been converted to Australian dollars at spot exchange rate (\$0.7391 at 30 June 2018).

Corporate debt maturity profile



1. Debt is shown in the financial year in which it matures.
2. Debt values are shown in AUD as at 30 June 2018. CAD, EUR, NOK and USD debt is converted at the hedged rate where cross currency swaps are in place. USD debt is converted at the spot exchange rate (0.7391 at 30 June 2018) where no cross currency swaps are in place.

Non-recourse debt (at asset level) maturity profile



1. The full value of debt facilities is shown, not Transurban's share, as this is the value of the debt for refinancing purposes.
2. Debt is shown in the financial year in which it matures.
3. Debt values are shown in AUD as at 30 June 2018. CAD, CHF, EUR, NOK and USD debt is converted at the hedged rate where cross currency swaps are in place. USD debt is converted at the spot exchange rate (0.7391 at 30 June 2018) where no cross currency swaps are in place. CAD debt is converted at the spot exchange rate (0.9771 at 30 June 2018) where no cross currency swaps are in place.
4. The A\$304 million maturing in FY21 is a portion of the 495 Express Lanes debt maturing in FY48. This tranche will be refinanced as per the financing structure agree with the sole holder, J.P. Morgan.
5. 95 Express Lanes and 495 Express Lanes maturities show final maturities dates.

Operating and financial review (continued)

Governance

The Transurban Board is accountable to security holders for the performance of Transurban.

The primary roles of the Board are to provide overall strategic guidance for Transurban and effective oversight of management.

The Board Charter, available at transurban.com, sets out the Board's authority, responsibilities and membership, and the arrangements by which it operates.

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 AusNet Services, and Senior Corporate Counsel at National Australia Bank. She has over 18 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.

Julie Galligan LLB, BA

Julie joined Transurban in November 2008 and was appointed as General Counsel in February 2012. Julie has over 18 years of 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 and at law firms, SJ Berwin LLP and MinterEllison.

Board members

The Transurban Board had 10 members at the year ended 30 June 2018, with nine Non-executive Directors, including the Chair, and one Executive Director, the Chief Executive Officer.

Former Chair of Infrastructure Australia, Mark Birrell, was appointed to the Board on 1 May 2018. He was the founding Chair of Infrastructure Partnerships Australia, the nation's peak infrastructure sector body, and has a significant public policy background through his earlier service as a Cabinet Minister in Victoria.

The Board does not set fixed tenure limits for Non-executive Directors. It is the Board's intention that Non-executive Directors serve up to three terms, other than the Chair who may serve up to four terms, however tenure remains a matter for the Board's discretion on a case by case basis. From time to time it may be appropriate for certain Non-executive Directors, other than the Chair, to serve all or part of a fourth term to facilitate coordinated succession planning.

The Board has an orderly succession plan for its longer serving Non-executive Directors to ensure that corporate knowledge and experience are preserved as far as possible.

As part of this plan, the Board will assess potential Non-executive Director candidates in the context of Transurban's strategic objectives and core capabilities, and will seek to replace as appropriate the specific skills and experience of retiring Non-executive Directors.

Operating and financial review (continued)

Meetings

The Board meets as often as necessary to discharge its responsibilities. Typically, this requires attendance at at least eight scheduled Board meetings each year, the AGM, Committee meetings, and unscheduled meetings as required to deal with particular issues requiring prompt attention.

The Board also meets with Transurban's Executive Committee members for biannual strategy sessions to discuss key strategic developments and trends in areas such as technology and customer experience.

The number of meetings of the Boards of Directors of THL, TIML and TIL and each Board Committee held during the year ended 30 June 2018, and the number of meetings attended by each Director are set out below:

	Board of Directors		Audit & Risk Committee ¹		Remuneration, People and Culture Committee ²		Nomination Committee ³		Special Purpose Sub-Committee ⁴	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Lindsay Maxsted	10	10	6	2	5	*	3	3	11	11
Scott Charlton	10	10	6	*	5	*	3	*	10	10
Neil Chatfield	10	10	6	6	5	5	3	3	7	9
Robert Edgar	10	10	6	6	5	5	3	3	*	*
Samantha Mostyn	9	10	3	*	5	5	3	3	*	*
Christine O'Reilly	10	10	6	6	3	*	3	3	9	9
Rodney Slater	9	10	*	*	1	*	2	3	*	*
Peter Scott	10	10	6	6	2	*	3	3	8	8
Jane Wilson	10	10	1	*	5	5	3	3	*	*
Mark Birrell ⁵	2	2	1	*	1	*	1	1	*	*

* = Not a member of the relevant Committee

1. Lindsay Maxsted stepped down as a member of the Audit and Risk Committee in December 2017. He attended subsequent meetings as an observer. Scott Charlton, Samantha Mostyn, Jane Wilson and Mark Birrell were not members of the Audit and Risk Committee but attended meetings as observers during the year.

2. Lindsay Maxsted, Scott Charlton, Christine O'Reilly, Rodney Slater, Peter Scott and Mark Birrell were not members of the Remuneration, People and Culture Committee but attended meetings as observers during the year. Scott Charlton was excluded from discussions involving his remuneration during meetings that he attended.

3. Scott Charlton was not a member of the Nomination Committee but attended meetings as an observer during the year.

4. A number of Board sub-committees were formed during the year for special purposes, including deal due diligence processes undertaken in connection with equity raisings.

5. Mark Birrell was appointed to the Board on 1 May 2018.

The March Board meeting was held at Transurban's Sydney office. The Board toured the Cross City Tunnel asset, control room and workshop for a safety briefing.

The June Board meeting was held in Northern Virginia, United States, at Transurban's US offices. The Board toured the 395 Express Lanes Project, with a close review of construction works that are underway.

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, unless otherwise stated:



Lindsay Maxsted

Dip Bus, FCA, FAICD

Chair and independent Non-executive Director

Term of office

Appointed to the Board on 1 March 2008 and appointed Chair on 12 August 2010.

Skills, experience and qualifications

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.

Company directorships / positions

Lindsay is currently Chair 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 Limited and the Honorary Treasurer of Baker Heart and Diabetes Institute.

Board committee memberships

- Chair of the Nomination Committee

Stapled securities

As at the date of this report, Lindsay holds interests in 75,956 stapled securities



Scott Charlton

BSci, MBA

Chief Executive Officer and Executive Director

Term of office

Appointed as CEO and appointed to the Board on 16 July 2012.

Skills, experience and qualifications

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).

Company directorships / positions

Scott is currently Deputy Chair of Infrastructure Partnerships Australia and is a member of the Monash Industry Council of Advisors, the Business Council of Australia, and of Roads Australia.

Stapled securities

As at the date of this report, Scott holds interests in 1,334,337 Stapled Securities (held indirectly), 900,405 Performance Awards (unlisted) and 210,396 STI Deferred Securities (unvested)

Directors (continued)



Neil Chatfield

M.Bus, FCPA, FAICD

Independent Non-executive Director

Term of office

Appointed to the Board on 18 February 2009.

Skills, experience and qualifications

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

Company directorships / positions

Neil is currently the Chair and a Non-executive Director of Seek Limited and Costa Group Holdings Limited, and a Non-executive Director of Aristocrat Leisure Ltd. Neil is also Chair of Launch Housing, a not-for-profit organisation. He was previously a Non-executive Director of Iron Mountain Inc (to September 2017), Recall Holdings Limited (to May 2016), and Chair and a Non-executive Director of Virgin Australia Holdings Limited (to May 2015).

Board committee memberships

- Member of the Audit and Risk, Remuneration, People and Culture, and Nomination Committees

Stapled securities

As at the date of this report, Neil holds interests in 70,443 stapled securities



Robert Edgar

BEC(Hons), PhD, FAICD

Independent Non-executive Director

Term of office

Appointed to the Board on 21 July 2009.

Skills, experience and qualifications

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

Company directorships / positions

Bob is currently a Non-executive Director of Djerrivah Investments Limited and Linfox Armaguard Pty Limited. He is Chair of the Hudson Institute of Medical Research. Bob was previously Chair and a Non-executive Director of Federation Centres (to June 2015), and a Non-executive Director of Asciano Limited (to August 2016).

Board committee memberships

- Member of the Audit and Risk, Remuneration, People and Culture, and Nomination Committees

Stapled securities

As at the date of this report, Bob holds interests in 40,605 stapled securities



Samantha Mostyn

BA, LLB

Independent Non-executive Director

Term of office

Appointed to the Board on 8 December 2010.

Skills, experience and qualifications

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.

Company directorships / positions

Sam is currently Chair and a Non-executive Director of Citigroup Pty Limited, and a Non-executive Director of both Virgin Australia Holdings Limited and the Mirvac Group. She is also a Director of the Sydney Swans Football Club and Chair of Carriageworks. She was previously a Non-executive Director of Cover-More Group Limited (to April 2017).

Sam is currently a member of the NSW Climate Change Council, the advisory boards of ClimateWorks Australia, a Board member of the GO Foundation and of the Centre for Policy Development, and Chair of the Australian National Research Organisation for Women's Safety.

Board committee memberships

- Chair of the Remuneration, People and Culture Committee and a member of the Nomination Committee

Stapled securities

As at the date of this report, Sam holds interests in 21,995 stapled securities

Directors (continued)



Christine O'Reilly

BBus

Independent Non-executive Director

Term of office

Appointed to the Board on 12 April 2012.

Skills, experience and qualifications

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.

Company directorships / positions

Christine is currently a Non-executive Director of CSL Limited and of Medibank Private Limited. She is also a Non-executive Director of Baker Heart and Diabetes Institute. She has resigned as a Non-executive Director of Energy Australia Holdings Limited effective 6 August 2018, and will be appointed a Non-executive Director of Stockland effective 23 August 2018.

Board committee memberships

- Chair of the Audit and Risk Committee and a member of the Nomination Committee

Stapled securities

As at the date of this report, Christine holds interests in 22,193 stapled securities



Rodney Slater

J.D., BS

Independent Non-executive Director

Term of office

Appointed to the Board on 22 June 2009.

Skills, experience and qualifications

Rodney is a partner in the Government Relations and Lobbying, Transportation, Infrastructure and Local Government, and Construction project groups of Washington, DC firm Squire Patton Boggs where he has been a leader of its transportation practice since 2001. He served as US Secretary of Transportation from 1997 until the end of the Clinton Administration in January 2001 and was the Administrator of the Federal Highway Administration between 1993 and 1996.

Company directorships / positions

In the US, Rodney's current directorships include Kansas City Southern (railroads), Verizon Communications Inc. and Southern Development Bancorporation. He was previously a Director of Parsons Brinckerhoff, Delta Airlines, Northwest Airlines, WS Atkins plc and ICx Technologies Inc. Rodney is a Director of the Congressional Awards Foundation and United Way Worldwide.

Board committee memberships

- Member of the Nomination Committee

Stapled securities

As at the date of this report, Rodney holds interest in 13,000 stapled securities



Peter Scott

BE(Hons), M Eng.Sc, Hon FIFAAust, MICE

Independent Non-executive Director

Term of office

Appointed to the Board on 1 March 2016.

Skills, experience and qualifications

Peter has over 20 years' senior business experience in publicly listed companies and a considerable breadth of expertise in the engineering and finance sectors. He was formally the CEO of MLC and head of National Australia Bank's Wealth Management Division and held a number of senior positions with Lend Lease.

Company directorships / positions

Peter's pro-bono activities include being Chair of Igniting Change Limited, a not-for-profit organisation, a member of the Prime Minister's Community Business Partnership and a Fellow of the Senate of the University of Sydney. He was previously Chair and a Non-executive Director of Perpetual Equity Investment Company Limited (to June 2017) and Perpetual Limited (to May 2017) and a Non-executive Director of Stockland Corporation Limited (to August 2016).

Board committee memberships

- Member of the Audit and Risk and Nomination Committees

Stapled securities

As at the date of this report, Peter holds interests in 23,587 stapled securities

Directors (continued)



Jane Wilson

MBBS, MBA, FAICD

Independent Non-executive Director

Term of office

Appointed to the Board on 1 January 2017.

Skills, experience and qualifications

Jane has over 20 years' experience as a director of companies, government-owned corporations and not-for-profit organisations. She has considerable experience in finance, banking and medicine.

Jane was awarded the 2016 Australian Institute of Company Directors Queensland Gold Medal Award for contribution to business and the wider community.

Company directorships / positions

Jane is a Guardian of the Future Fund, Australia's Sovereign Wealth Fund, and a Non-executive Director of Sonic Healthcare Limited. She is a Non-executive Director of the General Sir John Monash Foundation. She was previously a Non-executive Director of Opal Aged Care Limited (to 30 June 2018) and of the Winston Churchill Memorial Trust (to November 2016), and Deputy Chancellor of the University of Queensland (to November 2016).

Board committee memberships

- Member of the Remuneration, People and Culture, and Nomination Committees

Stapled securities

As at the date of this report, Jane holds interests in 4,000 stapled securities



Mark Birrell

BEC, LLB, FAICD

Independent Non-executive Director

Term of office

Appointed to the Board on 1 May 2018.

Skills, experience and qualifications

Mark is an experienced Director with credentials spanning the private and public sectors.

Mark was the founding Chair of Infrastructure Partnerships Australia, the nation's peak infrastructure organisation, and has deep industry knowledge in the fields of transport, construction and logistics. Mark has a significant public policy background through his earlier service as a Cabinet Minister in Victoria.

Company directorships / positions

Mark is currently the independent Chairman of Post Super Pty Ltd and the Australian Payments Council, and immediate past President of the Victorian Chamber of Commerce and Industry. His previous roles include being Chair and Non-executive Director of Regis Healthcare Limited and National Leader of the Infrastructure Group at Minter Ellison Lawyers. Other leadership positions have been as Chairman of Infrastructure Australia, the Port of Melbourne Corporation, and Evans & Peck Limited and Deputy Chair of Australia Post.

Board committee memberships

- Member of the Nomination Committee

Stapled securities

As at the date of this report, Mark holds interests in 2,000 stapled securities

2018 Remuneration report (audited)

Introduction

The Transurban Board is pleased to present the Remuneration Report ('Report') for the Transurban Group ('Transurban' or the 'Group') for the year ended 30 June 2018 ('FY18'), prepared in accordance with the Corporations Act 2001 (Cth) and the Corporations Regulations 2001 (Cth). This Report contains detailed information regarding the remuneration arrangements for the Directors and senior executives who were key management personnel ('KMP') of the Group during FY18.

Key Management Personnel

The following table lists the Group's KMP during FY18. All KMP held their positions for the duration of FY18 unless otherwise stated.

Non-executive Directors KMP

Lindsay Maxsted, Chair

Mark Birrell (from 1 May 2018)

Neil Chatfield

Robert Edgar

Samantha Mostyn

Christine O'Reilly

Peter Scott

Rodney Slater

Jane Wilson

Senior executive KMP

Scott Charlton, Executive Director and Chief Executive Officer ('CEO')

Tony Adams, Group Executive, Project Delivery

Jennifer Aument, President, North America

Wesley Ballantine, Group Executive, Victoria and Strategy

Andrew Head, Group Executive, New South Wales Development

Michele Huey, Group Executive, New South Wales, Business Operations (Parental leave from 18 September 2017)

Sue Johnson, Group Executive, Queensland

Lisa Tobin, Group Executive, Technology

Vin Vassallo, Group Executive, Development

Adam Watson, Chief Financial Officer

2018 Remuneration report (continued)

Further details of KMP roles are detailed below

Non-executive KMP	Position held	Period in position
Lindsay Maxsted	Chair	Full year
Mark Birrell	Non-executive Director	(1/5/2018 to 30/6/2018)
Neil Chatfield	Non-executive Director	Full year
Robert Edgar	Non-executive Director	Full year
Samantha Mostyn	Non-executive Director	Full year
Christine O'Reilly	Non-executive Director	Full year
Peter Scott	Non-executive Director	Full year
Rodney Slater	Non-executive Director	Full year
Jane Wilson	Non-executive Director	Full year
Senior executive KMP		
Scott Charlton	Executive Director and Chief Executive Officer ('CEO')	Full year
Tony Adams	Group General Manager, Project Delivery and Operational Excellence	(1/7/2017 to 31/1/2018)
	Group Executive, Project Delivery	(1/2/2018 to 30/6/2018)
Jennifer Aument	Group General Manager, North America	(1/7/2017 to 31/1/2018)
	President, North America	(1/2/2018 to 30/6/2018)
Wesley Ballantine	Group General Manager, Queensland and Group Strategy	(1/7/2017 to 31/1/2018)
	Group Executive, Victoria and Strategy	(1/2/2018 to 30/6/2018)
Andrew Head	Group General Manager, New South Wales Development	(1/7/2017 to 31/1/2018)
	Group Executive, New South Wales Development	(1/2/2018 to 30/6/2018)
Michele Huey	Group Executive, New South Wales, Business Operations	(1/7/2017 to 17/9/2017) (parental leave)
Sue Johnson	Group General Manager, Customer Operations and Human Resources	(1/7/2017 to 31/1/2018)
	Group Executive, Queensland	(1/2/2018 to 30/6/2018)
Lisa Tobin	Group General Manager, Technology	(1/7/2017 to 31/1/2018)
	Group Executive, Technology	(1/2/2018 to 30/6/2018)
Vin Vassallo	Group General Manager, Victoria	(1/7/2017 to 31/1/2018)
	Group Executive, Development	(1/2/2018 to 30/6/2018)
Adam Watson	Chief Financial Officer	Full year

2018 Remuneration report (continued)

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1. Remuneration snapshot

The 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 that in turn drive long-term 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 2017 Annual General meeting ('AGM'), the remuneration framework received strong support from security holders, with a 97.30% vote in favour of the resolution to adopt the 2017 Remuneration Report (2016: 97.14%).

The Board considers that the current remuneration framework offers a range of mechanisms to balance sensible risk management and motivate executives to deliver outstanding results.

Transurban's core strategy is to partner with Governments to provide effective infrastructure solutions to meet the transport needs of growing cities. Consistent with this strategy, the Group has enhancement projects under way in each of our markets on the east coast of Australia and in North America. These activities help us deliver tangible benefits to communities and customers and grow distributions for our security holders.

The remuneration outcomes this year reflect Transurban's strong financial results and achievements across the Group's operational and development activities. These results are outlined in more detail in the Operating and Financial Review within the Directors' Report.

Key measures of the results achieved in FY18 included:

- 10.2% increase in underlying proportional EBITDA;
- 4.7% decrease in free cash flow per security; and
- 8.7% increase in distributions paid to security holders;

The prior year's free cash flow of 59.6 cents per security included 8.5 cents per security relating to a capital release from NorthWestern Roads Group. Excluding this capital release the FY17 free cash flow was 51.1 cents per security, resulting in an 11.2% increase in free cash per security.

These results have been achieved during a period of significant development activity for the business, reflected in the substantial development pipeline which includes major enhancement projects across all markets. This contributed to a 6.8% increase in proportional net costs (excluding significant items) to support strategic growth and development projects and underlying business activity.

The Board and the Remuneration, People and Culture Committee believe that the remuneration outcomes reflect alignment between rewarding senior executive KMP efforts in meeting or exceeding key targets and recognising security holder outcomes.

2018 Remuneration report (continued)

2. Transfer to Face Value—LTI

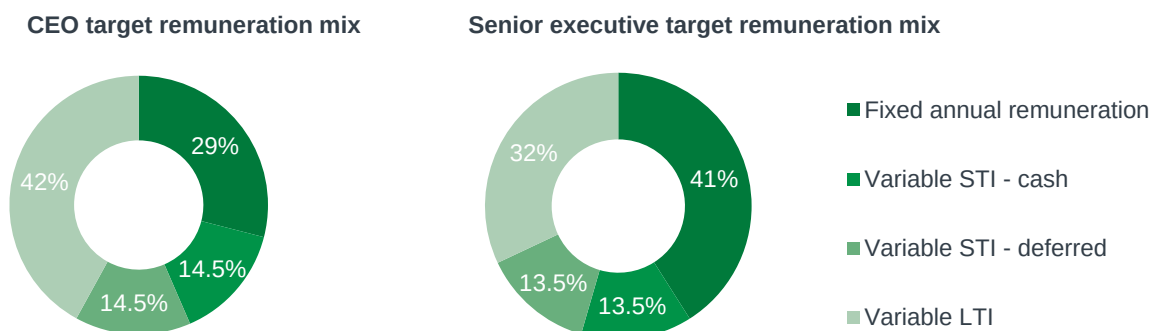
In May 2018, the Board approved a change to the allocation methodology for the Relative Total Shareholder Return (TSR) component of the Group's LTI Plan from a fair value allocation methodology to a face value allocation methodology (discounted for distributions and dividends forgone throughout the performance period). This change was approved to enhance simplicity and transparency of the Group's LTI Plan. Refer section 5E for the current methodology.

This change was effective 1 July 2018 and included the following:

- the transition of the LTI opportunity under the current methodology of a combined face value and fair value allocation approach to a full face value allocation methodology (discounted for distributions and dividends foregone throughout the performance period);
- senior executive KMP including the CEO remained economically whole in the transition to a full face allocation methodology; and
- restated remuneration mixes based on the full face allocation methodology.

Remuneration Mix effective 1 July 2018

The remuneration mix effective 1 July 2018 for target performance (100% vesting of STI and LTI Plans) for senior executive KMP is outlined in the diagrams below. These are consistent with the Group's primary reference for remuneration benchmarking.



Remuneration report (continued)

3. Remuneration governance

A. Board and Remuneration, People and Culture Committee responsibilities

The Remuneration, People and Culture Committee assists the Board in fulfilling its responsibilities relating to the remuneration of Non-executive KMP, the remuneration of, and incentives for, the CEO and other senior executive KMP, remuneration budgets for all employees and remuneration practices, strategies and disclosures generally.

It is critical that the Remuneration, People and Culture 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 Executive, People and Culture attend Committee meetings, however they do not participate in formal decision making or in discussions involving their own remuneration.

The members of the Committee are Samantha Mostyn (Chair from 1 November 2018), Robert Edgar (prior Chair), Neil Chatfield, and Jane Wilson. Further details regarding the Committee are set out in the Directors' Report.

B. Use of remuneration consultants

The Remuneration, People and Culture Committee 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 Non-executive Directors.

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

During FY18, consultants did not provide the Remuneration, People and Culture Committee with remuneration recommendations relating to KMP. Benchmark data only was provided to the Committee.

C. Dealing in securities

In accordance with the Group's Dealing in Securities Policy, employees who have equity awards under a Group equity plan may not hedge against those equity awards. In addition, senior executive KMP may not hedge against entitlements that have vested but remain subject to a holding lock. Directors and employees are also prohibited from entering into margin lending arrangements using Transurban stapled securities as security.

D. Minimum security holding

The Board has endorsed minimum security holding guidelines for Non-executive Directors, the CEO and other senior executive KMP. The guidelines recommend that all KMP build and maintain a minimum security holding of Transurban stapled securities equal in value to their fixed annual remuneration (excluding superannuation). The minimum stapled security holding can be accumulated over a five year period.

Remuneration report (continued)

4. Senior executive KMP remuneration policy and structure

The Group's executive KMP 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 success.

A. Remuneration framework

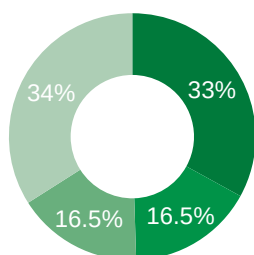
The Group's executive remuneration framework provides a combination of incentives intended to drive performance against the Group's short and long term objectives. The framework for the CEO and other senior executive KMP comprises three components:

- **Total Employment Cost ('TEC'):** fixed remuneration component comprising salary, superannuation and other prescribed benefits;
- **Short Term Incentive ('STI'):** an 'at risk' component, awarded based on performance over a 12 month period against pre-determined individual and Group performance measures comprising both a cash component and a component deferred into equity; and
- **Long Term Incentive ('LTI'):** an 'at risk' equity component, awarded on the achievement of pre-determined internal and external performance measures over a three year period.

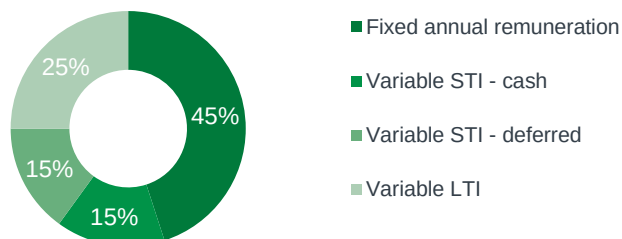
B. Remuneration mix

A significant proportion of senior executive KMP remuneration is 'at risk' to provide alignment with the interests of security holders and to drive performance. The remuneration mix is designed to achieve a balanced reward for achievement of short term objectives and the creation of long term sustainable value. The remuneration mix for the 2018 financial year for target performance (100% vesting of STI and LTI) for senior executive KMP is outlined in the diagrams below.

CEO target remuneration mix



Senior executive KMP target remuneration mix



C. Fixed total employment cost ('TEC')

Fixed TEC is set with reference to the market median, using the ASX 10-30 as the primary reference. Remuneration packages (including TEC levels) are reviewed annually by the Remuneration, People and Culture Committee taking into consideration an individual's role, experience and performance, as well as relevant comparative market data provided by remuneration consultants. TEC levels are also reviewed on a change in role.

Remuneration report (continued)

D. Short term incentive ('STI')

Description	Eligible permanent Group employees, including the CEO and other senior executive KMP, participate in the annual STI plan, which puts a proportion of remuneration 'at risk' subject to meeting specific pre-determined Group and individual performance measures linked to Group objectives.
Performance period	The performance period is the financial year preceding the payment date (i.e. 1 July 2017 – 30 June 2018).
Opportunity	For 'at-target' performance, the CEO has the opportunity to receive 100% of TEC and all other senior executive KMP have the opportunity to receive 67% of TEC. The minimum STI an individual can receive is 0% (if targets are not met) and the maximum is 150% of the STI opportunity which is only awarded for exceptional performance.
Payment and deferral	STI awards for the CEO and other senior executive KMP are delivered 50% in cash and 50% is deferred. The deferred component is Transurban stapled securities, which are held on trust for two years following the performance period and are restricted from trading until vesting. The deferred securities participate in dividends and/or distributions paid. The number of deferred securities allocated to a senior executive KMP is determined by dividing the amount to be deferred by a 10 day Volume Weighted Average Price (VWAP) of securities over the 10 business days immediately preceding the STI deferred plan offer.
How is the annual pool determined	The Board determines the total STI pool to be distributed. The total pool will not exceed 125% of the aggregate STI target opportunity. The pool is split into two components and is awarded on individual performance and Group performance in accordance with the following formula. Employee STI performance outcome is calculated: $(\text{Individual STI Outcome \%} + (\text{Individual STI Outcome \%} \times \text{Group Outcome \%})) \div 2$.
Performance measures	Group measures comprise the following three components and this component is capped at 150% 1. Proportional EBITDA is one of the primary measures the Board uses to assess the operating performance of the Group. 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. The Board believes proportional EBITDA provides a better reflection of the underlying performance of the Group's assets than statutory EBITDA. 2. Proportional Net Costs 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. 3. The Health Safety and Environment (HSE) measures focus on improving the Group's HSE culture and reducing workplace injuries for employees and contractors, as well as customer safety. Individual KPIs are unique to the individual's area of accountability. Individuals have a clear line of sight to KPIs and are able to directly affect outcomes through their own actions.
Vesting	Performance against Group measures is assessed by the Board and the results of key elements are independently validated. The Board confirms final outcomes for individual and Group performance and has discretion to adjust the performance conditions and outcomes.

Remuneration report (continued)

Payment of STI	The payment of the cash component and the allocation of deferred securities will occur in August 2018 following finalisation and approval of the Group's audited results and the Board's approval of individual outcomes.
Cessation of employment	If employment ceases before performance is assessed, generally there is no entitlement to receive any STI award. If employment ceases before the end of the two year restriction period, any unvested deferred securities will lapse, unless the plan rules provide otherwise or the Board otherwise resolves.
Clawback	Fraudulent or dishonest behaviour will result in the forfeiture or clawback of any unvested awards. Further, at the discretion of the Board, awards are subject to forfeiture or clawback where there is a financial misstatement circumstance or the allocation of awards was made in error, on the basis of the misrepresentation or an omission, or on the basis of facts or circumstances that were later proven to be untrue or inaccurate.

STI Group performance measures in detail

Group measure	Weighting	Description of measure
Proportional EBITDA (EBITDA: earnings before interest, taxes, depreciation and amortisation)	20%	Targets: the target for 100% vesting for FY18 was Proportional EBITDA of \$1,779 million with straight line vesting between the minimum target of 50% vesting of \$1,743 million and 150% vesting of \$1,815 million. To determine the targets for the Proportional EBITDA measure of the STI program, the Board utilises the annual budget as the primary input. The budget incorporates base business growth derived from network-wide traffic performance, price growth and impacts of inflation and adjusts for events such as construction and project completion and the impact of acquisitions. When approving the budget, the Board ensures that sufficient stretch is incorporated. This is achieved through the analysis of the core assumptions underpinning the budget and also through consideration of the quantifiable risks and opportunities that can influence the Group's financial performance. The budget incorporates directly controllable initiatives including road safety, lane availability, operational efficiencies and the impact of development activity. Once the budget has been finalised, the Board determines the STI targets. The FY18 STI targets excluded significant items, a budget for discretionary research and development initiatives and the recently acquired A25. The targets use a constant currency for operations within the USA¹. Definition: 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. Proportional EBITDA figures used to assess performance are included in note B4 of the audited financial statements.
Proportional Net Costs	20%	Targets: the target for 100% vesting for FY18 was Proportional Net Costs of \$428 million with straight line vesting between the minimum target of 50% vesting of \$450 million and 150% vesting of \$406 million. To determine the targets for the Proportional Net Cost measure of the STI program, the Board utilises the annual budget as the primary input. When approving the budget, the Board ensures that sufficient stretch is incorporated. This is achieved through the analysis of the core assumptions underpinning the budget and also through consideration of the quantifiable risks and opportunities that can influence the Group's financial performance. Once the budget has been finalised, the Board determines the STI targets. The FY18 STI targets excluded significant items, a budget for discretionary research and development initiatives and the recently acquired A25. The targets use a constant currency for operations within the USA¹. Definition: Proportional Net Costs are calculated as total costs less fee and other revenues. This measure encourages and allows management to incur additional costs where these are justified by increased revenue results.

1. Calculated by translating the monthly budgeted results for the USA business (Greater Washington Area) at the monthly spot rate used to translate the reported monthly results.

Remuneration report (continued)

Group measure	Weighting	Description of measure
Health, Safety and Environment ('HSE')	10%	The HSE target was a combination of a lead indicator (leaders recording proactive HSE events) and four lag indicators. The diagram below illustrates the performance measures within the lag indicators. Targets were set with straight line vesting between 0% and 150%.  Leading Indicator: the target for the leading indicator is in the form of KPIs set for all employees across the Group. Three KPIs were approved by the Board: one for senior executive KMP, one for all other people leaders and one for all other employees. The KPI requires the submission of HSE reports and includes proactive HSE observations, HSE meetings and actions to reduce HSE risks. The minimum number of submitted HSE reports per people leader during FY18 was 17 and 21 for senior leaders and two for all other employees. Each employee is given a rating (five scale rating) according to their adherence to their KPI and the average rating of the aggregated ratings is applied to the 100% vesting target of a 3.5 rating. Lagging Indicator: the targets for the lagging indicators for 100% vesting for FY18 were as follows: - Recordable Injury Frequency Rate – zero for employees and 4.31 for contractors (10% reduction on FY17 outcome). In the event of an employee or contractor fatality, the STI outcome for the corresponding Recordable Injury Frequency Rate will be zero for all senior executive KMP and STI eligible employees; - Road Injury Crash Index – 4.03 (12% reduction over five years commencing FY14 outcome); - Road Safety Action Plans – all four Regional Road Safety Actions Plans in place and 50% actions tracking to target; and - Incident Close Out Rate – All incidents with an actual consequence rating of moderate or above, all near misses with a potential consequence rating of moderate or above and all recordable incidents where Transurban has control. Incidents are to be investigated and investigations closed within three days of investigation due date. The FY18 target was 75% of incidents closed within three days of investigation due date.
Individual KPIs	50%	Individual KPIs relate to critical business measures and are not disclosed due to the commercially sensitive nature of these targets.

Remuneration report (continued)

E. Long term incentive ('LTI')

Description	Participation in the LTI plan is offered to the CEO and other senior executive KMP, and a very limited number of other employees nominated by the CEO and approved by the Board. Grants are made in the form of performance awards at no cost to the recipient. Each performance award is an entitlement to receive a Transurban stapled security, or an equivalent cash payment, on terms and conditions determined by the Board, subject to the achievement of vesting conditions. Performance awards do not carry dividend or voting entitlements prior to vesting.
Performance period	The three financial years commencing on 1 July in the year the grant is made.
Opportunity	The CEO's opportunity is 103% of TEC and the opportunity for all other senior executive KMP is 56% of TEC. The minimum vesting outcome an individual can receive is 0% of the award (if the performance measures are not achieved) and the maximum vesting outcome an individual can receive is 100% of the award (if performance measures are achieved).
Performance measures	Two performance measures are used to determine the number of awards that will vest at the end of the performance period; relative Total Shareholder Return ('TSR') against a bespoke comparator group and Free Cash Flow ('FCF') (each with a 50% weighting).
Why are these performance measures used	TSR 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. TSR measures total return on investment of a security, taking into account both capital appreciation and distributed and/or dividend income which was reinvested on a pre-tax basis. Growth in FCF per security reflects the Group's continued focus on the maximisation of free cash. The Group seeks to consistently grow its distributions year on year and to align security holder distributions with FCF per security.
Allocation	TSR component: An independently determined fair value allocation valuation is applied to this component of the LTI. FCF component: An independently determined face value allocation valuation (discounted for distributions and/or dividends foregone throughout the performance period) is applied to this component of the LTI. The Board regularly considers the most appropriate measures for the Group and believes that fair value was the appropriate measure for the TSR component of the LTI awards as it is a market based measure and the inclusion of market forces within the calculation is appropriate. Whereas the non-market based performance measure of FCF is more suited to a face value valuation when allocating LTI awards. In May 2018, the Board approved a change (effective 1 July 2018) in the allocation methodology for the TSR component of the LTI from a fair value allocation valuation to a face value allocation methodology (discounted for distributions and/or dividends foregone throughout the performance period). This change was approved to enhance simplicity and transparency of the Group's LTI Plan.

Remuneration report (continued)

E. Long term incentive ('LTI') (continued)

Vesting	TSR component The Group uses an independent report that sets out the Group's TSR growth and that of each company in the bespoke comparator group. A VWAP of securities for the 20 trading days up to and including the testing date is used to calculate TSR. The level of TSR growth achieved by the Group is 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 is ranked at the 100th percentile). This ranking determines the extent to which performance awards, subject to this component, vest. FCF component The Group's FCF per security percentage growth rate is calculated based on the FCF per security over the three year performance period. The Board determines in its absolute discretion whether the performance awards are settled in Transurban stapled securities or a cash payment of equivalent value. In prior years, USA employees received cash payments upon vesting. Commencing 1 July 2017, all LTI plan offers made to USA employees were under the same conditions as Australian employees in that the Board in its absolute discretion will determine whether awards are settled in Transurban stapled securities or in cash. Following testing, any awards that do not vest, lapse and any awards that vest are automatically exercised into Transurban stapled securities or settled in cash at the discretion of the Board. No price is payable on exercise.
Cessation of employment	If employment ceases before the performance measures are tested, generally there is no entitlement to unvested performance awards and any unvested awards will lapse, unless the plan rules provide otherwise or the Board otherwise resolves.
Clawback	Fraudulent or dishonest behaviour will result in the forfeiture or clawback of any unvested awards. Further, at the discretion of the Board, awards are subject to forfeiture or clawback where there is a financial misstatement circumstance or the allocation of awards was made in error, on the basis of the misrepresentation or an omission, or on the basis of facts or circumstances that were later proven to be untrue or inaccurate.

Remuneration report (continued)

LTI performance measures in detail

Group measure	Weighting	Description of measure												
Relative TSR	50%	Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global industry classification standards ('GICS') sectors of the ASX150. The 35 companies in this group for grants made during FY18 were: Abacus Property Group, AGL Energy Limited, APA Group, Aurizon Holdings Limited, Ausnet Services Limited, Aveo Group, BWP Trust, Charter Hall Group, Charter Hall Retail REIT Unit, Cromwell Property Group, Chorus Limited, Dexus Property Group, Goodman Group, GPT Group, Growthpoint Properties Australia, Investa Office Fund, Lend Lease Group, Atlas Arteria (formerly Macquarie Atlas Roads Group), Mirvac Group, Mondadelphous Group Limited, Qantas Airways Limited, Qube Holdings Limited, Scentre Group, Shopping Centres Australasia Property Group, Spark Infrastructure Group, Spark New Zealand Limited, Stockland, Sydney Airport, Telstra Corporation Limited, TPG Telecom Limited, Transurban Group, Vicinity Centres, Vocus Communications Limited, Viva Energy Teir Limited, Westfield Corporation.												
Relative TSR	50%	The table below shows the differences between the FY18 TSR comparator group and the TSR comparator group for the prior year. <table><tr><th>Companies new to the group in FY18</th><th>Companies excluded in FY18</th></tr><tr><td>Chorus Limited (joined ASX150 index on 2 May 2017), Mondadelphous Group Limited (previously ranked outside the ASX150), Viva Energy Teir Limited (listed on the ASX in August 2016)</td><td>DUET Group (replaced by Chorus due to acquisition).</td></tr></table> The TSR component of performance awards granted during FY18, will vest on a straight line basis in accordance with the following table: <table><tr><th>The Group's relative TSR ranking in the comparator group</th><th>% of performance awards that vest</th></tr><tr><td>At or below the 50th percentile</td><td>Zero</td></tr><tr><td>Above the 50th percentile but below the 75th percentile</td><td>Straight line vesting between 50 and 100</td></tr><tr><td>At or above the 75th percentile</td><td>100</td></tr></table>	Companies new to the group in FY18	Companies excluded in FY18	Chorus Limited (joined ASX150 index on 2 May 2017), Mondadelphous Group Limited (previously ranked outside the ASX150), Viva Energy Teir Limited (listed on the ASX in August 2016)	DUET Group (replaced by Chorus due to acquisition).	The Group's relative TSR ranking in the comparator group	% of performance awards that vest	At or below the 50th percentile	Zero	Above the 50th percentile but below the 75th percentile	Straight line vesting between 50 and 100	At or above the 75th percentile	100
Companies new to the group in FY18	Companies excluded in FY18													
Chorus Limited (joined ASX150 index on 2 May 2017), Mondadelphous Group Limited (previously ranked outside the ASX150), Viva Energy Teir Limited (listed on the ASX in August 2016)	DUET Group (replaced by Chorus due to acquisition).													
The Group's relative TSR ranking in the comparator group	% of performance awards that vest													
At or below the 50th percentile	Zero													
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50 and 100													
At or above the 75th percentile	100													
Growth in FCF per security	50%	The FCF calculation is included in note B10 of the audited financial statements. The FCF per security component of performance awards granted during FY18 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: <table><tr><th>% annual growth in FCF per security (Distribution base of 51.5 cents per security)</th><th>% of performance awards that vest</th></tr><tr><td>Less than 8%</td><td>Zero</td></tr><tr><td>Between 8% and 10%</td><td>Straight line vesting between 50 and 100</td></tr><tr><td>10% or more</td><td>100</td></tr></table>	% annual growth in FCF per security (Distribution base of 51.5 cents per security)	% of performance awards that vest	Less than 8%	Zero	Between 8% and 10%	Straight line vesting between 50 and 100	10% or more	100				
% annual growth in FCF per security (Distribution base of 51.5 cents per security)	% of performance awards that vest													
Less than 8%	Zero													
Between 8% and 10%	Straight line vesting between 50 and 100													
10% or more	100													

The Group seeks to consistently grow its distributions year on year and to align distributions with FCF per security. The FCF per security may not grow each year in line with distributions. Factors that may cause FCF to fluctuate year on year may include the timing of interest payments, movements in working capital, the impact of major development projects and capital release activities. Due to possible fluctuations in FCF, the extent to which distributions are covered by cash may also fluctuate between approximately 90-110% in any given year. This is consistent with the Group's distribution policy of achieving approximately 100% free cash coverage over time. Due to possible fluctuations in FCF, distributions are considered the best point of alignment with security holder expectations for growth in investor returns. In delivering against this measure, the Board also balances the objective of growing distributions with longer dated investments that generate value for the business but may not contribute to distribution growth in the near term. The Group had a number of major projects in development through this period, including the CityLink-Tulla-Widening and the Westgate Tunnel in Melbourne, NorthConnex in Sydney, the Logan Enhancement Project and the Inner City Bypass in Brisbane, the 395 Express Lanes, the Fredericksburg Extension and A25 in North America as well as other potential developments on each of our networks. The Board takes this into account when setting the range to ensure appropriately challenging measures.

Remuneration report (continued)

For performance awards to be granted during FY19, the performance target range for growth in FCF per security is between 5.5% and 7.5% per annum. This is calculated using the FY18 distribution of 56.0 cents per security as the base and excludes any impact on FCF per security that arises as a result of funding activity that may arise to support the execution or delivery of potential major developments.

5. Group performance, security holder wealth and remuneration

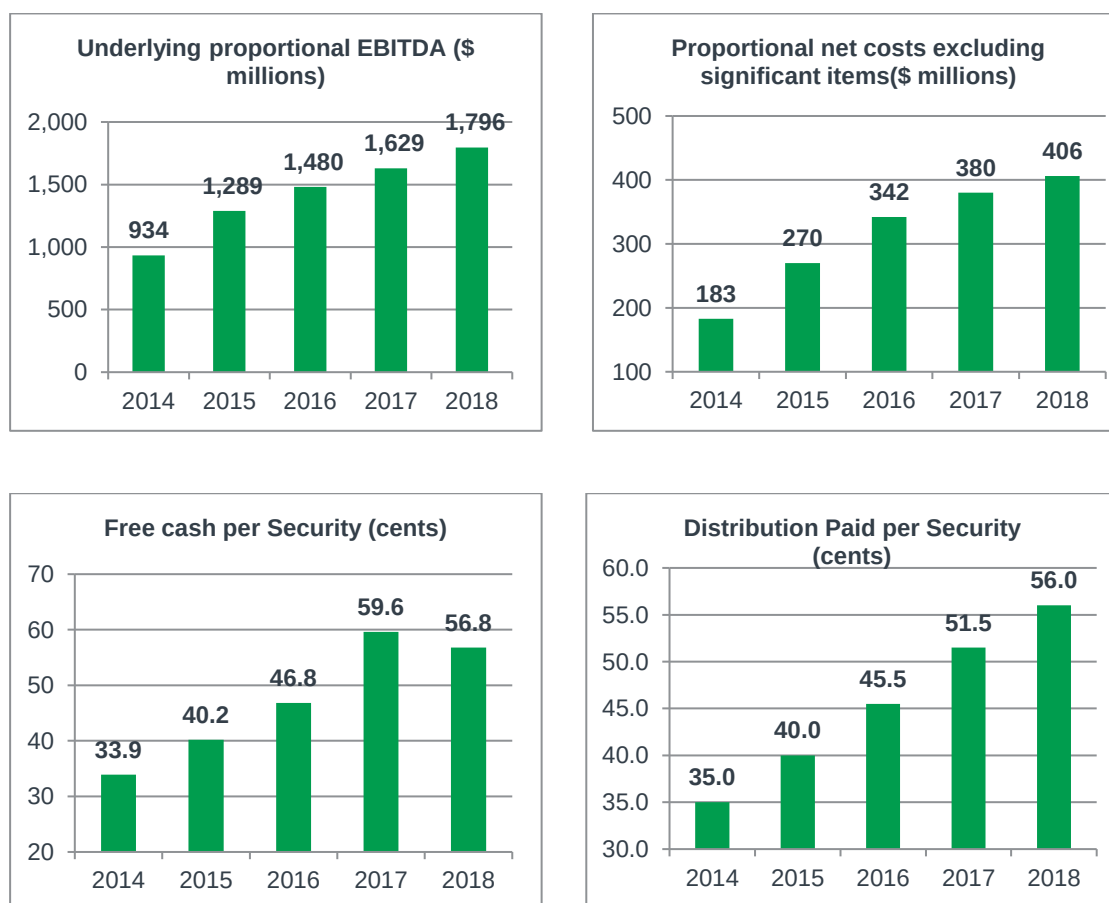
A. Financial highlights for FY18

The Group's network portfolio delivered strong EBITDA growth, which was mainly caused by increased traffic and toll prices across our networks and disciplined cost control. The Group recorded proportional EBITDA excluding significant items of \$1,796 million for the financial year ended 30 June 2018, an underlying increase of 10.2% on the prior corresponding period.

B. Overview of Group performance

The variable (or 'at risk') remuneration of the CEO and other senior executive KMP is linked to the Group's performance through the use of measures based on the operating performance of the business. The graphs below show the Group's performance over the past five financial years including metrics used to determine components of STI and LTI awards.

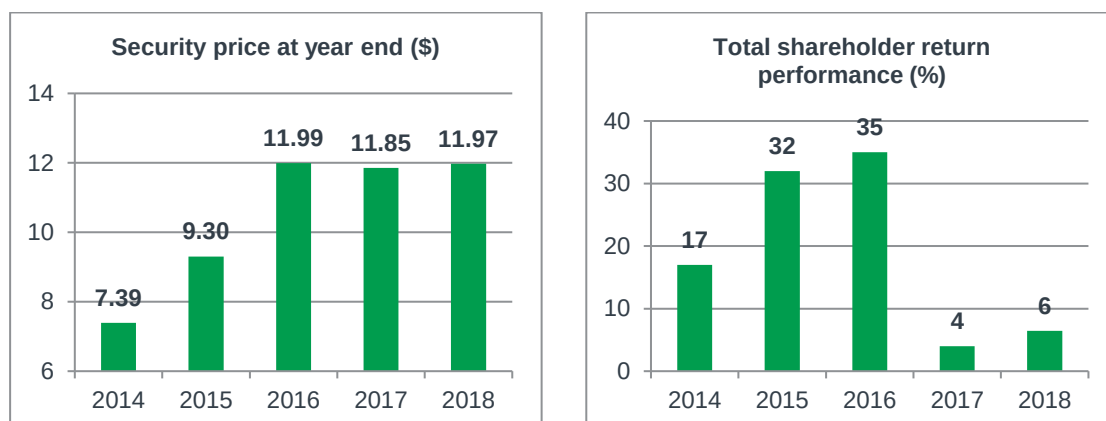
Financial measures



The prior year's free cash flow of 59.6 cents per security included 8.5 cents per security relating to a capital release from NorthWestern Roads Group. Excluding this capital release the FY17 free cash flow was 51.1 cents per security.

Remuneration report (continued)

B. Overview of Group performance (continued)



6. Senior executive KMP remuneration outcomes for FY18

A. STI outcomes for FY18

Group performance in respect of the proportional EBITDA, proportional Net Costs and HSE STI performance measures for FY18 was assessed by the Board as 127.1% of the possible STI opportunity.

Measure	Performance	Outcome
Proportional EBITDA ¹	\$1,796 million	124.4 %
Proportional net costs ¹	\$406 million	150.0 %
HSE	–	86.3 %
Overall Group Performance	–	127.1 %

1. For FY18 significant items, a budget for discretionary research and development initiatives were excluded from the Proportional EBITDA and Proportional net costs targets and actual outcomes. Also excluded was the recently acquired A25.

The Group achieved the following HSE outcomes which are linked to the Group's STI awards.

Measure	Score	Outcome %	STI Outcome %
Leadership KPIs	3.23	86.5	51.9
Recordable Injury Frequency Rate ('RIFR') ¹ – employees	0.00	150.0	11.3
Recordable Injury Frequency Rate ('RIFR') ¹ – contractors	5.03	0.0	0.0
Road Injury Crash Index ('RICI') ²	4.82	51.8	3.9
Road Safety Action Plans ³	4 plans	100.0	7.5
Incident Close Out Rate ⁴	83.6	117.3	11.7
Overall HSE Outcome			86.3

1. RIFR: recordable injuries (fatalities, lost time and medical treatment injuries) per million work hours.

2. RICI: serious road injury (requiring medical treatment or where emergency medical care is required, other than first aid) crashes per 100 million vehicle kilometres travelled.

3. Road Safety Plan actions implemented and actions tracking to target.

4. Percentage of incidents closed within three days of agreed investigation due date.

Remuneration report (continued)

The individual STI performance outcomes and awards for the CEO and senior executive KMP for FY18 are detailed in the following table:

Senior executive KMP	STI outcome (%)		STI awarded ³ (\$)
	Individual KPIs	Total ²	
S Charlton	119.0	135.1	2,972,740
T Adams	103.0	117.0	548,530
J Aument ¹	119.0	135.1	665,810
W Ballantine	103.0	117.0	541,550
A Head	92.5	105.0	598,170
M Huey	92.5	105.0	91,390
S Johnson	119.0	135.1	579,420
L Tobin	92.5	105.0	450,390
V Vassallo	119.0	135.1	670,940
A Watson	92.5	105.0	598,170

1. Jennifer Aument is remunerated in USA Dollars. Her awarded STI has been translated to Australian Dollars using the exchange rate of \$0.7391 at 30 June 2018.

2. The total STI performance outcome is calculated: $(\text{Individual STI Outcome \%} + (\text{Individual STI Outcome \%} \times \text{Group Outcome \%})) \div 2$. The Group's percentage outcome is 127.1%.

3. 50% is paid in cash and 50% is awarded in securities that are subject to a two year restriction period following the end of the performance year.

Number of STI deferred securities and cash awards granted in FY18

	Balance at start of year	Granted during year as remuneration	Matured and paid during year ⁽¹⁾	Forfeited during the year	Balance at the end of year
Senior executive KMP					
S Charlton	218,769	109,553	(117,926)	—	210,396
T Adams	38,595	18,633	(20,574)	—	36,654
J Aument	51,252	20,213	(27,073)	—	44,392
W Ballantine	47,675	20,712	(24,322)	—	44,065
A Head	49,303	20,491	(30,513)	—	39,281
M Huey	25,544	17,198	(7,398)	—	35,344
S Johnson	38,799	20,328	(20,932)	—	38,195
L Tobin	39,553	21,261	(23,693)	—	37,121
V Vassallo	52,119	18,815	(26,643)	—	44,291
A Watson	31,888	21,881	(12,847)	—	40,922

1. Securities vested during FY18 at the end of the two year restriction period.

Remuneration report (continued)

B. LTI outcomes for FY18

Eligible senior executive KMP (excluding the CEO) received performance awards with a grant date of 21 August 2017. Following the receipt of security holder approval at the 2017 AGM, the CEO received performance awards with a grant date of 23 October 2017. All performance awards granted in FY18 may vest subject to a performance period from 1 July 2017 through to 30 June 2020.

The relevant values of the grants are as follows:

Recipient	Grant date	Value of awards at grant date		Closing security price at grant date
		Relative TSR ¹	FCF per security	
Eligible senior executive KMP	21 August 2017	\$5.77	\$10.50	\$11.86
CEO	23 October 2017	\$6.38	\$10.99	\$12.27

1. Fair value in accordance with AASB 2 treatment of market conditions.

Performance awards granted in FY18

The table below shows the number of LTI awards granted to senior executive KMP during FY18.

	Number of performance awards granted	Potential value of grant yet to vest at Target (\$)	Maximum (Face value) of potential value of grant to vest (\$)
Senior executive KMP			
S Charlton	309,697	2,476,785	3,799,982
T Adams	53,560	397,927	635,222
J Aument	54,068	401,700	641,246
W Ballantine	49,733	369,493	589,833
A Head	65,036	483,187	771,327
M Huey	45,908	341,075	544,469
S Johnson	48,969	363,817	580,772
L Tobin	48,969	363,817	580,772
V Vassallo	53,560	397,927	635,222
A Watson	65,036	483,187	771,327

The target (100%) value of the grant has been estimated based on the award valuations at grant date (a fair value approach for the TSR component and a face value approach discounted for distributions/and or dividends for the FCF component). The fair value for TSR considers the probability that the senior executive KMP may not derive value from the LTI award, along with other factors, including difficulty of achieving performance hurdles and anticipated security price volatility.

The maximum LTI opportunity for each senior executive KMP is the face value of the award (i.e. the value the senior executive KMP would receive if all their performance awards vested, based on Transurban's security price at the time the award was granted).

The minimum total value of the grant, if the applicable performance measures are not met, is zero.

In May 2018, the Board approved a change (effective 1 July 2018) in the allocation methodology for the TSR component of the LTI from a fair value allocation valuation to a face value allocation methodology (discounted for distributions and/or dividends foregone throughout the performance period). This change was approved to enhance simplicity and transparency of the Group's LTI Plan.

Remuneration report (continued)

Value of performance awards vested and lapsed in FY18

The FY15 LTI plan performance awards vested on 17 August 2017 (performance period 1 July 2014 to 30 June 2017).

The outcome of the performance tests were as follows:

Test type	Result of test	% of units vest
TSR	Transurban ranked 6th highest out of 30 companies (83% percentile)	100%
Free Cash Flow	146.6 cents adjusted to 143.1 cents (Refer to the explanation below) (100% vesting target was 134.8 cents)	100%
Overall vesting		100%

The favourable FCF vesting outcome was influenced by stronger than expected traffic and revenue growth across the Group, the acquisition of AirportlinkM7 and the inclusion of the US assets within free cash post the acquisition of the non-controlling interest in these assets in June 2015.

The number of performance awards which vested during FY18 are shown below.

Senior Executive KMP	Number of Awards vested	Value (\$)¹ of Awards vested
S Charlton	345,135	1,851,582
T Adams	64,928	330,186
J Aument²	62,735	319,034
W Ballantine	63,679	323,836
A Head	80,080	407,238
M Huey	48,888	248,615
S Johnson	60,933	309,869
L Tobin	67,588	343,713
V Vassallo	69,922	355,583
A Watson	69,830	355,115

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

2. Jennifer Aument awards were settled in cash.

Free Cash Flow Adjustment

When preparing the FCF targets for the FY15 LTI plan, the FCF budget for the year ended 30 June 2016 (FY16) included the assumption that a cash inflow of 5.0 cents per security would be achieved from a capital release transaction. The actual cash inflow from capital releases was 8.5 cents per security. The Board exercised its discretion to in effect exclude the additional 3.5 cents per security, which was not expected to be received within the three-year performance period for the FY15 LTI plan.

The FY15 LTI plan is the only plan impacted by this additional capital release transaction.

The targets set at the beginning of the performance period (1 July 2014) were not adjusted.

Value of performance awards to vest and lapse in FY19

Initial vesting calculations indicate that 81.6% of awards on issue for the FY16 plan will vest for eligible participants.

Remuneration report (continued)

7. Service agreements

The remuneration and other terms of employment for the CEO and other senior executive KMP are formalised in service agreements that have no specified term. Under these agreements, the CEO and other senior executive KMP are eligible to participate in STI and LTI plans. Some other key aspects of the agreements in place for FY18 are outlined below:

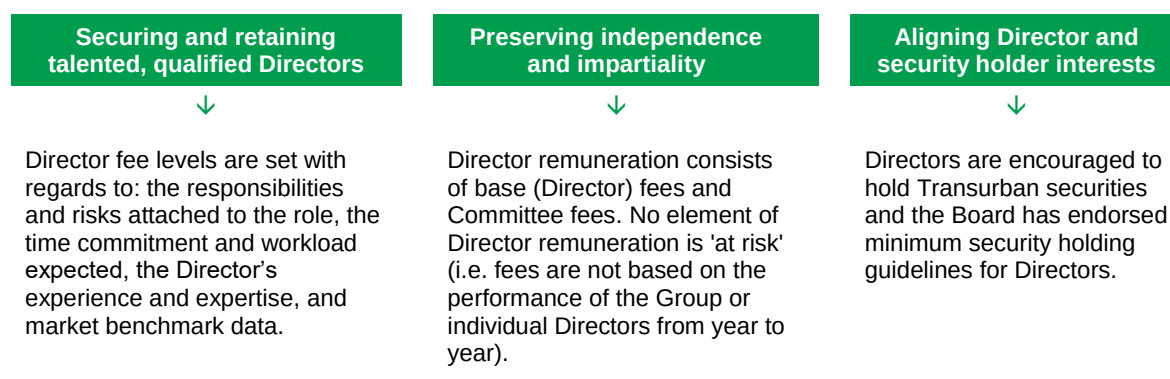
	Period of notice to terminate by the senior executive KMP	Period of notice to terminate by the Group ¹
CEO	6 months	12 months
Other senior executive KMP	3 months	6 months

1. 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.

8. Non-executive KMP 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:



B. Remuneration arrangements

Maximum aggregate remuneration

The 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 \$3,000,000 per year (inclusive of superannuation contributions) was approved by security holders at the 2016 annual general meeting.

Non-executive Director fees for FY18

The Remuneration, People and Culture Committee regularly reviews Non-executive Director fees, and such reviews include periodic benchmarking against other publicly listed entities of similar size and complexity to Transurban.

A review of Non-executive Director fees (base Director and Committee fees) was undertaken during FY18. The Remuneration, People and Culture Committee recommended, and the Board subsequently resolved, that Non-executive Director fees would be revised including the removal of the Nomination Committee member fee, as outlined below, for the 2018 calendar year.

Remuneration report (continued)

Current Director and Committee fees (per annum) are set out below:

		1 July 2017	1 January 2018
Board Fees	Chair	\$550,000	\$600,000
	Member	\$185,000	\$205,000
Committee Fees	Audit and Risk Committee		
	Chair	\$50,000	\$50,000
	Member	\$25,000	\$25,000
	Remuneration, People and Culture Committee		
	Chair	\$40,000	\$45,000
	Member	\$20,000	\$20,000
	Nomination Committee	\$10,000	Nil

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 FY18. 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.

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

Remuneration report (continued)

C. Non-executive Director related party information

All Non-executive Director related party relationships are based on normal commercial terms. None of the Non-executive Directors were, or are, involved in any procurement or other Board decision-making regarding the companies or firms with which they have an association.

The Group is not required to make the following disclosures but for transparency reasons notes the following relationships and transactions:

Director	Related party	Services provided
R Slater	Mr Slater is a partner in the public policy practice group of Squire Patton Boggs (US) LLP (SPB).	Transurban used SPB during FY18 for various lobbying activities in the USA on normal commercial terms, and incurred US\$195,955 for services during FY18.
L Maxsted	Mr Maxsted is Chair and a Non-executive Director of Westpac Banking Corporation.	Westpac provides transactional banking and banking products and services to Transurban on normal commercial terms. During FY18 Westpac participated in three new debt financings and was a Co-Agent and a Co-Manager on two separate bond issuances, all conducted by Transurban. In addition to providing corporate working capital and letter of credit facilities to Transurban, Westpac participates in debt facilities provided to Cross City Tunnel, Lane Cove Tunnel, M1, M2, M5, M7 and Transurban Queensland and acts as the facility agent for the Eastern Distributor, Cross City Tunnel and Lane Cove Tunnel debt facilities, all on normal commercial terms.
N Chatfield	Mr Chatfield is Chair and a Non-executive Director of Seek Limited.	Seek provides employment advisory services to Transurban on normal commercial terms.
S Mostyn	Ms Mostyn is a Non-executive Director of Citigroup Pty Ltd.	Citigroup provides banking products and services to Transurban on normal commercial terms. During FY18 Citigroup participated in two new debt financings, was a Joint Lead Manager on an EMTN issuance and was the advisor on a global consent process, all conducted by Transurban. Citigroup provides corporate working capital facilities to Transurban as well as participating in the debt facility provided to M2, all on normal commercial terms.
	Ms Mostyn is a Non-executive Director of Virgin Australia Holdings Limited.	Virgin provides air travel services to Transurban on normal commercial terms.
C O'Reilly	Ms O'Reilly was a Non-executive Director of Energy Australia until 6 August 2018.	Energy Australia is one of Transurban's electricity providers in New South Wales and Queensland. This relationship is based on normal commercial terms.

Remuneration report (continued)

9. Statutory tables

A. Senior executive KMP remuneration

	Short-term employee benefits			Deferred STI ⁵	Post-employment benefits	Long-term benefits	Share based benefits ⁶		Total
	Cash salary and fees	Cash STI ³	Non-monetary benefits ⁴		Super-annuation	Long service leave	Equity awards	Cash awards	
CEO									
S Charlton									
2018	2,179,951	1,486,370	11,281	1,241,158	20,049	66,630	2,049,698	–	7,055,137
2017	2,180,384	1,265,000	10,575	1,182,642	19,616	52,382	1,893,205	–	6,603,804
Other senior executive KMP									
T Adams									
2018	679,951	274,265	4,329	214,525	20,049	30,532	342,120	–	1,565,771
2017	568,484	215,150	61,218	209,700	19,616	18,876	323,949	–	1,416,993
J Aument¹									
2018	701,083	332,905	1,334	272,186	14,188	–	120,433	479,709	1,921,838
2017	683,294	233,392	1,371	300,554	14,322	–	–	701,351	1,934,284
W Ballantine²									
2018	799,070	270,775	109,988	251,558	20,049	46,841	337,976	–	1,836,257
2017	574,384	239,150	4,937	264,067	19,616	19,887	325,986	–	1,448,027
A Head									
2018	829,951	299,085	7,754	231,858	20,049	33,610	410,561	–	1,832,868
2017	656,235	236,600	7,225	248,383	20,318	14,244	391,578	–	1,574,583
M Huey									
2018	307,820	45,695	6,799	203,967	20,049	6,850	307,918	–	899,098
2017	523,184	198,575	6,606	167,442	19,616	–	307,629	–	1,223,052
S Johnson²									
2018	745,443	289,710	117,608	226,967	20,049	27,246	329,967	–	1,756,990
2017	563,384	234,725	6,559	209,658	19,616	25,182	315,079	–	1,374,203
L Tobin									
2018	619,951	225,195	4,445	226,233	20,049	19,757	335,892	–	1,451,522
2017	564,734	245,500	4,169	202,883	19,616	12,284	332,738	–	1,381,924
V Vassallo									
2018	749,534	335,470	4,445	245,333	20,049	28,090	363,845	–	1,746,766
2017	582,468	217,250	4,169	288,433	19,616	13,137	353,530	–	1,478,603
A Watson									
2018	856,954	299,085	4,445	243,550	20,049	11,507	420,898	–	1,856,488
2017	703,966	252,650	4,169	192,392	19,616	–	398,357	–	1,571,150
TOTAL									
2018	8,469,708	3,858,555	272,428	3,357,335	194,629	271,063	5,019,308	479,709	21,922,735
2017	7,600,517	3,337,992	110,998	3,266,154	191,568	155,992	4,642,051	701,351	20,006,623

1. Jennifer Aument is remunerated in USA Dollars. The amounts shown in the table above have been converted to Australian Dollars using the average exchange rate over the reporting period, being \$0.7753.

2. Wes Ballantine's cash salary includes a cash allowance of \$127,452 for his interstate relocation and Sue Johnson's cash salary includes \$125,492 for her interstate relocation.

3. The amount represents the cash STI payment to the senior executive KMP for FY18, which will be paid in August 2018.

4. Non-monetary benefits include Group employee insurance and relocation allowances (where applicable).

5. 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 FY18 accounting charge for unvested grants.

6. 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 performance period. The amount included as remuneration may be different to the benefit (if any) that senior executive KMP 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 accounting standards. The fair value of the performance awards has been valued applying a Monte Carlo simulation (using a Black-Scholes framework) to model Transurban's security price and where applicable, the TSR performance against the comparator group performance.

Remuneration report (continued)

B. Number of performance awards on issue as at 30 June 2018

		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 ¹
Current senior executive KMP						
S Charlton	2018	935,843	309,697	(345,135)	–	900,405
T Adams	2018	163,284	53,560	(64,928)	–	151,916
J Aument	2018	178,540	54,068	(62,735)	–	169,873
W Ballantine	2018	164,053	49,733	(63,679)	–	150,107
A Head	2018	197,740	65,036	(80,080)	–	182,696
M Huey	2018	139,671	45,908	(48,888)	–	136,691
S Johnson	2018	158,439	48,969	(60,933)	–	146,475
L Tobin	2018	167,921	48,969	(67,588)	–	149,302
V Vassallo	2018	178,096	53,560	(69,922)	–	161,734
A Watson	2018	191,779	65,036	(69,830)	–	186,985

1. No closely related parties of senior executive KMP held any performance awards during FY18.

C. Securities held by senior executive KMP as at 30 June 2018

		Balance at start of year	Changes during year	Balance at end of year ¹
Current senior executive KMP				
S Charlton	2018	1,079,169	255,168	1,334,337
T Adams	2018	16,294	11,131	27,425
J Aument	2018	–	–	–
W Ballantine	2018	78,673	10,416	89,089
A Head	2018	50,820	13,778	64,598
M Huey	2018	25,788	65,808	91,596
S Johnson	2018	80,691	14,754	95,445
L Tobin	2018	64,000	106,883	170,883
V Vassallo	2018	129,315	33,765	163,080
A Watson	2018	15,901	93,988	109,889

1. No Transurban securities were held nominally or held by closely related parties of senior executive KMP during FY18.

Remuneration report (continued)

D. Remuneration paid to Non-executive Directors

		Short-term benefits	Post-employment benefits	Total
		Fees	Superannuation ¹	
Current Non-executive Directors				
L Maxsted	2018	554,951	20,049	575,000
	2017	530,384	19,616	550,000
M Birrell	2018	31,202	2,964	34,166
N Chatfield	2018	233,285	20,049	253,334
	2017	245,384	19,616	265,000
R Edgar	2018	231,618	20,049	251,667
	2017	240,384	19,616	260,000
S Mostyn	2018	216,250	19,583	235,833
	2017	196,347	18,653	215,000
C O'Reilly	2018	221,939	19,728	241,667
	2017	200,913	19,087	220,000
P Scott	2018	205,479	19,521	225,000
	2017	196,352	18,460	214,812
R Slater²	2018	232,168	—	232,168
	2017	238,695	—	238,695
J Wilson	2018	200,913	19,087	220,000
	2017	91,027	8,648	99,675
Total	2018	2,127,805	141,030	2,268,835
	2017	1,939,486	123,696	2,063,182

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

2. Rodney Slater is remunerated in USA Dollars. The amounts shown in the table above have been converted to Australian Dollars using the average exchange rate over the reporting period of \$0.7753

E. Securities held by Non-executive Directors as at 30 June 2018

		Balance at start of year	Changes during year	Balance at end of year ²
Current Non-executive Directors				
L Maxsted	2018	70,258	5,698	75,956
M Birrell¹	2018	—	2,000	2,000
N Chatfield	2018	62,328	8,115	70,443
R Edgar	2018	32,009	8,596	40,605
S Mostyn	2018	18,215	3,780	21,995
C O'Reilly	2018	20,406	1,787	22,193
P Scott	2018	20,870	2,717	23,587
R Slater	2018	3,000	10,000	13,000
J Wilson	2018	4,000	—	4,000

1. Mark Birrell held 2,000 securities indirectly (through his superannuation fund) prior to his appointment as a Non-executive Director on 1 May 2018.

2. No Transurban securities were held nominally or held by closely related parties of Non-executive Directors during FY18.

Additional Information

Auditor

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

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 reviewed the non-audit services to ensure they did not impact the impartiality and objectivity of the auditor; and
- none of the services undermined 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 and the Group, its related practices and non-related audit firms:

	2018 \$	2017 \$
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and other assurance services:		
Audit and review of financial reports	3,177,283	2,237,470
Other assurance services	713,000	725,730
	3,890,283	2,963,200
Other consulting services	500,000	–
Total remuneration for PricewaterhouseCoopers	4,390,283	2,963,200
Total auditors remuneration	4,390,283	2,963,200

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 Director's and officer's 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

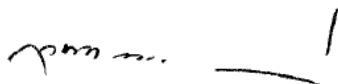
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 46.

Additional Information (continued)

Rounding of amounts

The Group is of a kind referred to in Instrument 2016/191, 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 Instrument to the nearest million, or in certain cases, to the nearest dollar.

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



Lindsay Maxsted
Director



Scott Charlton
Director

Melbourne
7 August 2018



Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited and the entities they controlled during the period.

A handwritten signature in black ink, appearing to read 'M. Laithwaite'.

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
7 August 2018

Transurban Holdings Limited ABN 86 098 143 429

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Section A: Group financial statements

Transurban Holdings Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2018

	Note	2018 \$M	2017 \$M
Revenue	B5	3,298	2,732
Expenses			
Employee benefits expense		(180)	(168)
Road operating costs		(326)	(335)
Construction costs		(989)	(592)
Transaction and integration costs		(21)	(5)
Corporate and other expenses		(133)	(106)
Total expenses		(1,649)	(1,206)
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes		1,649	1,526
Amortisation	B16	(594)	(561)
Depreciation		(77)	(67)
Total depreciation and amortisation		(671)	(628)
Net finance costs	B13	(722)	(749)
Share of net profits of equity accounted investments	B23	33	25
Profit before income tax		289	174
Income tax benefit	B7	179	35
Profit for the year		468	209
<i>Profit attributable to:</i>			
Ordinary security holders of the stapled group			
– Attributable to THL		(153)	83
– Attributable to THT/TIL		638	156
		485	239
Non-controlling interests - other	B24	(17)	(30)
		468	209
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in the future</i>			
Changes in the fair value of cash flow hedges, net of tax		(123)	76
Share of other comprehensive income of equity accounted investments, net of tax	B23	1	8
Movement in share-based payments reserve		1	1
Exchange differences on translation of North American operations, net of tax		(22)	20
Other comprehensive income/(loss) for the year, net of tax		(143)	105
Total comprehensive income/(loss) for the year		325	314
<i>Total comprehensive income/(loss) for the year is attributable to:</i>			
Ordinary security holders of the stapled group			
– Attributable to THL		(200)	95
– Attributable to THT/TIL		571	240
Non-controlling interests – other		(46)	(21)
		325	314
		Cents	Cents
Earnings per security attributable to ordinary security holders of the stapled group:			
Basic and diluted earnings per stapled security	B9	22.7	11.7

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

Transurban Holdings Limited
Consolidated balance sheet
as at 30 June 2018

	Note	2018 \$M	2017 \$M
ASSETS			
Current assets			
Cash and cash equivalents	B8	1,130	988
Trade and other receivables	B8	444	130
Derivative financial instruments	B15	21	–
Held-to-maturity investments	B8	226	157
Total current assets		1,821	1,275
Non-current assets			
Equity accounted investments	B23	474	654
Held-to-maturity investments	B29	806	586
Derivative financial instruments	B15	217	82
Property, plant and equipment		374	327
Concession financial asset	B17	323	–
Deferred tax assets	B7	1,021	1,061
Intangible assets	B16	21,390	19,330
Total non-current assets		24,605	22,040
Total assets		26,426	23,315
LIABILITIES			
Current liabilities			
Trade and other payables	B8	516	347
Borrowings	B14	524	880
Derivative financial instruments	B15	11	5
Maintenance provision	B18	150	99
Distribution provision	B10	671	594
Other provisions		58	40
Other liabilities		293	174
Total current liabilities		2,223	2,139
Non-current liabilities			
Borrowings	B14	14,871	12,868
Deferred tax liabilities	B7	985	931
Maintenance provision	B18	914	895
Other provisions		126	93
Derivative financial instruments	B15	441	362
Other liabilities		100	228
Total non-current liabilities		17,437	15,377
Total liabilities		19,660	17,516
Net assets		6,766	5,799
EQUITY			
Contributed equity	B11	1,746	1,450
Reserves	B12	(101)	(54)
Accumulated losses		(3,455)	(3,195)
Non-controlling interests held by security holders of the stapled group (THT/TIL)		7,401	6,289
Equity attributable to security holders of the stapled group		5,591	4,490
Non-controlling interests – other	B24	1,175	1,309
Total equity		6,766	5,799

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

Transurban Holdings Limited
Consolidated statement of changes in equity
for the year ended 30 June 2018

	Attributable to security holders of the stapled group							
	No. of securities M	Contributed equity \$M	Reserves \$M	Accumulated losses \$M	Non-controlling interests–THT & TIL \$M	Total \$M	Non-controlling interests–other \$M	Total equity \$M
Balance at 1 July 2017	2,052	1,450	(54)	(3,195)	6,289	4,490	1,309	5,799
Comprehensive income								
Profit for the year	–	–	–	(153)	638	485	(17)	468
Other comprehensive income/(loss)	–	–	(47)	–	(67)	(114)	(29)	(143)
Total comprehensive income/(loss)	–	–	(47)	(153)	571	371	(46)	325
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs ¹	167	287	–	–	1,580	1,867	–	1,867
Employee performance awards issued ²	1	1	–	–	5	6	–	6
Distributions provided for or paid ³	–	–	–	(107)	(1,091)	(1,198)	–	(1,198)
Distribution reinvestment plan ⁴	5	8	–	–	47	55	–	55
Distributions to non-controlling interests ⁵	–	–	–	–	–	–	(80)	(80)
Transactions with non-controlling interests	–	–	–	–	–	–	(8)	(8)
	173	296	–	(107)	541	730	(88)	642
Balance at 30 June 2018	2,225	1,746	(101)	(3,455)	7,401	5,591	1,175	6,766

1. On 30 January 2018, the Group successfully completed its pro-rata renounceable 3 for 37 entitlement offer. The institutional component raised gross proceeds of \$1,345 million at an issue price of \$11.40 per security. The retail component raised gross proceeds of \$555 million at an issue price of \$11.40 per security. The total gross proceeds from the entitlement offer were \$1,900 million (\$1,867 million net of transaction costs) and will be used to fund the construction of the West Gate Tunnel Project and for general corporate purposes.
2. From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other senior executives are deferred for a period of 2 years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans. These securities are held by the executive but will only vest in accordance with the terms of the plans.
3. Refer to note B10 for further details of dividends and distributions provided for or paid.
4. Under the distribution reinvestment plan, for distributions paid during the period, 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. This has continued to apply for the interim FY2018 dividend/distribution and is suspended for the distribution for the six months ended 30 June 2018 to be paid in August 2018.
5. Distributions were paid during the period to the non-controlling interest partners in Airport Motorway Trust (Eastern Distributor) and Transurban Queensland Invest Trust (Transurban Queensland).

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

Transurban Holdings Limited
Consolidated statement of changes in equity
for the year ended 30 June 2018

	Attributable to security holders of the stapled group							Total equity \$M
	No. of securities M	Contributed equity \$M	Reserves \$M	Accumulated losses \$M	Non-controlling interests—THT & TIL \$M	Total \$M	Non-controlling interests—other \$M	
Balance at 1 July 2016	2,036	1,422	(66)	(3,134)	6,808	5,030	1,420	6,450
Comprehensive income								
Profit/(loss) for the year	—	—	—	83	156	239	(30)	209
Other comprehensive income/(loss)	—	—	12	—	84	96	9	105
Total comprehensive income/(loss)	—	—	12	83	240	335	(21)	314
Transactions with owners in their capacity as owners:								
Employee performance awards issued ¹	1	1	—	—	3	4	—	4
Distributions provided for or paid ²	—	—	—	(144)	(911)	(1,055)	—	(1,055)
Distribution reinvestment plan ³	15	27	—	—	149	176	—	176
Distributions to non-controlling interests ⁴	—	—	—	—	—	—	(90)	(90)
	16	28	—	(144)	(759)	(875)	(90)	(965)
Balance at 30 June 2017	2,052	1,450	(54)	(3,195)	6,289	4,490	1,309	5,799

1. From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other senior executives are deferred for a period of 2 years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans. These securities are held by the executive but will only vest in accordance with the terms of the plans.
2. Refer to note B10 for further details of dividends and distributions provided for or paid.
3. Under the distribution reinvestment plan, 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.
4. Dividends and distributions were paid during the period to the non-controlling interest partners in Airport Motorway Trust (Eastern Distributor), Transurban Queensland Invest Trust and Transurban Queensland Holdings 1 Pty Ltd (Transurban Queensland).

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

Transurban Holdings Limited
Consolidated statement of cash flows
for the year ended 30 June 2018

Note	2018 \$M	2017 \$M
Cash flows from operating activities		
Receipts from customers	2,453	2,266
Payments to suppliers and employees	(769)	(679)
Payments for maintenance of intangible assets	(95)	(69)
Transaction and integration costs related to acquisitions	(20)	(113)
Other revenue	66	57
Interest received	33	27
Interest paid	(615)	(652)
Net cash inflow from operating activities	1,053	837
Cash flows from investing activities		
Payments for held-to-maturity investments	(219)	(344)
Payments for equity accounted investments	(5)	–
Payments for intangible assets	(1,129)	(647)
Payments for property, plant and equipment	(131)	(131)
Distributions received from equity accounted investments	219	350
Payments for acquisition of subsidiaries, net of cash acquired	(846)	–
Net cash outflow from investing activities	(2,111)	(772)
Cash flows from financing activities		
Proceeds from issues of stapled securities (net of costs)	1,867	–
Proceeds from borrowings (net of costs)	4,064	2,703
Payments made in the provision of loan facilities	(246)	–
Repayment of borrowings	(3,346)	(1,718)
Dividends and distributions paid to the Group's security holders	(1,064)	(801)
Distributions paid to non-controlling interests	(82)	(90)
Net cash inflow from financing activities	1,193	94
Net increase in cash and cash equivalents	135	159
Cash and cash equivalents at the beginning of the year	988	834
Effects of exchange rate changes on cash and cash equivalents	7	(5)
Cash and cash equivalents at end of the year	1,130	988

(a) Reconciliation of profit after income tax to net cash flow from operating activities

	2018 \$M	2017 \$M
Profit for the year	468	209
Depreciation and amortisation	671	628
Non-cash share-based payments expense	7	5
Non-cash net finance costs	34	81
Share of profits of equity accounted investments	(33)	(25)
<i>Change in operating assets and liabilities:</i>		
(Increase) in trade and other receivables	(29)	(17)
Increase in concession and promissory note liability	12	11
Increase / (decrease) in operating creditors and accruals	23	(95)
Increase in other operating provisions	32	11
Movement in deferred and current taxes	(179)	(35)
Increase in maintenance provision	47	64
Net cash inflow from operating activities	1,053	837

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

Transurban Holdings Limited
Consolidated statement of cash flows
for the year ended 30 June 2018

(b) Reconciliation of liabilities arising from financing activities

	Borrowings current \$M	Borrowings non-current \$M	Debt principal related derivatives (included in assets / liabilities) ¹ \$M	Total debt related financial instruments \$M
Balance at 1 July 2017	880	12,868	(624)	13,124
Proceeds from borrowings (net of costs)	—	4,064	—	4,064
Repayment of borrowings	(882)	(2,456)	(8)	(3,346)
Capitalised premiums and discounts included in operating and investing cash flows	—	18	—	18
Total cash flows	(882)	1,626	(8)	736
<i>Non-Cash Changes</i>				
Acquisition	3	384	—	387
Foreign exchange movements	10	451	(259)	202
Transfer	513	(513)	—	—
Capitalised interest	—	27	—	27
Amortisation of borrowing costs	—	28	—	28
Total non-cash changes	526	377	(259)	644
Balance at 30 June 2018	524	14,871	(891)	14,504

1. Total derivatives balance at 30 June 2018 is a liability of \$214 million (FY17: \$285 million liability). The difference in carrying value to the table above relates to interest rate swap contracts, forward exchange contracts, the interest portion of cross-currency interest rate swap contracts and credit valuation and debit valuation adjustments which are excluded from the balances above.

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

Section B: Notes to the Group financial statements

Basis of preparation and significant changes

B1 Corporate Information

Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') is a Company incorporated in Australia and limited by shares that are publicly traded on the Australian Securities Exchange. These financial statements have been prepared as a consolidation of the financial statements of Transurban Holdings Limited and its controlled entities ('Transurban', 'Transurban Group' or 'the Group'). The controlled entities of THL include the other members of the stapled group being Transurban International Limited and its controlled entities ('TIL') and Transurban Holding Trust and its controlled entities ('THT'). The equity securities THL, THT and TIL are stapled and cannot be traded separately. Entities within the Group are domiciled and incorporated in Australia, the United States of America and Canada.

The consolidated financial statements of Transurban Group for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 7 August 2018. Directors have the power to amend and reissue the financial report.

B2 Summary of significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following transaction during the reporting period:

Acquisition of A25 Toll Road and Bridge

The Group completed the acquisition of 100% of the equity interest in the concessionaire of the road autoroute 25 (A25) on 5 June 2018. The A25 is a 7.2km toll road and bridge located in the Montreal metropolitan area of Canada connecting Northern Montreal across the Rivière des Prairies to commercial and residential areas. The details of the assets and liabilities acquired on 5 June 2018 have been included in note B22 and are reflected in the operating results and financial position of the Group from 5 June 2018.

Group Equity Raising

On 30 January 2018, the Group successfully completed its pro-rata renounceable 3 for 37 entitlement offer. The institutional component raised gross proceeds of \$1,345 million at an issue price of \$11.40 per security. The retail component raised gross proceeds of \$555 million at an issue price of \$11.40 per security. The total gross proceeds from the entitlement offer were \$1,900 million (\$1,867 million net of transaction costs) and will be used to fund the construction of the West Gate Tunnel Project and for general corporate purposes.

B3 Basis of preparation

The Group financial statements are general purpose financial statements which:

- Have been prepared in accordance with the Corporations Act 2001, Australian accounting standards, and other authoritative pronouncements of the Australian Accounting Standards Board;
- Have adopted all accounting policies in accordance with Australian accounting standards, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in these financial statements;
- Have applied the option under ASIC Corporations (Stapled Group Reports) Instrument 2015/838 to present the consolidated financial statements in one section (Section A), and all other reporting group members in a separate section (Section C).
- Do not early adopt any accounting standards or interpretations that have been issued or amended but are not yet effective;
- Comply with International financial reporting standards ('IFRS') as issued by the International Accounting Standards Board ('IASB');
- Have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities (including derivative financial instruments);
- Are presented in Australian dollars, which is THL's functional and presentation currency.
- Have been rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191; and
- The presentation of comparative amounts has been restated, where applicable, to conform to the current period presentation.

B3 Basis of preparation (continued)

Going concern

THL's current liabilities exceed its current assets by \$402 million as at 30 June 2018. This is primarily driven by borrowing facilities with maturities less than 12 months. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- The Group has generated positive cash inflows from operating activities of \$1,053 million (2017: \$837 million), after allowing for payments of \$20 million (2017: \$113 million) in transaction and integration costs relating to acquisitions;
- The Group expects to refinance those remaining borrowing facilities with maturities of less than 12 months;
- The Group has paid \$1,064 million of dividends and distributions over the past 12 months; and
- The Group has available a total of \$1,675 million of undrawn borrowing facilities with maturities beyond 12 months across a number of financial providers. Additionally, the Group has a further \$61 million of undrawn borrowings facilities to provide funding for the 395 Express Lanes Project through a Virginia Transport Infrastructure Bank (VTIB) loan and a further \$517 million of undrawn borrowing facilities to provide funding for Transurban Queensland capital expenditure, both facilities have maturities beyond 12 months.

Foreign currency translation

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 profit or loss, 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 are translated at the closing rate at the reporting date;
- income and expenses 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 other comprehensive income.

B3 Basis of preparation (continued)

New and amended standards

The Group has adopted the following new or revised accounting standards which became effective for the annual reporting period commencing 1 July 2017. The Group determined there is no impact on the financial statements from the adoption.

Reference	Description
<i>AASB 2016-1 Recognition of Deferred Tax</i>	Amendment to AASB 112 clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. This does not change the underlying principles for the recognition of deferred tax assets. The Group does not have any temporary deductible differences on assets that are measured at fair value. Therefore, the impact of the application of the new standard was not material.
<i>AASB 2016-2 Disclosures Initiative</i>	Amendment to AASB 107 introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The impact of the application of the new standard is additional disclosure in the annual Group financial statements (refer to note (b) to the consolidated cash flow statement) relating to the financial liabilities held by the Group.
<i>AASB 2017-2 Further annual improvements to 2014 – 2016 Cycle</i>	Amendment to AASB 12 clarifies the scope of the standard to specify the disclosure requirements for an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations. There is no impact on the Group financial statements from the adoption.

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for 30 June 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 15 <i>Revenue from contracts with customers</i>	AASB 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. AASB 15 supersedes a number of current revenue standards, including AASB 118 Revenue, AASB 111 Construction Contracts and associated Interpretations. The Group's principal revenue generating activities, being the service concession arrangements, are accounted for in accordance with AASB Interpretation 12 <i>Service Concession Arrangements</i> (IFRIC 12), which specifies that the construction services and operation or maintenance services provided under the Group's Service Concession arrangements are two distinct types of services (see note B16). AASB 15 does not give rise to a change with respect to the revenue derived under the Group's respective revenue recognition method used to account for the service concession arrangements. The Group has completed its analysis of the impacts of adoption and have concluded that there is no material change to the presentation, recognition, and measurement of revenue as a result of the transition to AASB 15. <i>Service concession arrangements—intangible asset model</i> The customer with respect to the construction services is the concession grantor. The revenue for the construction of service concession infrastructure assets will be accounted for as one performance obligation. The revenue will be recognised in line with the progress of construction services provided, which is measured at fair value, determined by reference to the stand-alone selling price. The customer with respect to the operation or maintenance services is the user of the infrastructure and, therefore, each use made of the infrastructure by users is considered a performance obligation, and the related revenue is recognised at the point in time that the individual service is provided. <i>Service concession arrangements—financial asset model</i> The customer is the concession grantor, construction services and operation or maintenance services will be accounted for as different performance obligations, to which market prices have to be allocated. Because a stand-alone selling price is not directly observable, it is estimated using the expected margin for the respective activities.	1 January 2018	1 July 2018

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 9 <i>Financial Instruments</i>	AASB 9 is the new financial instrument standard with the following impacts: ▪ introduces a new model for assessing the classification, measurement and derecognition of financial assets and financial liabilities; ▪ a new impairment model for financial assets based on expected credit losses is introduced; and ▪ complexity is reduced for achieving hedge accounting. The Group has reviewed its financial assets and liabilities and is expecting the following impacts from the adoption of the new standard: <i>Classification and measurement</i> The Group expects its M5 debt notes currently classified as held-to-maturity will no longer satisfy the criteria for classification at amortised cost and will have to be reclassified to financial assets at fair value through profit or loss (FVPL). There will be an immaterial impact on retained earnings on 1 July 2018 from this change. The other financial assets held by the Group are debt instruments that are currently classified as held-to-maturity and measured at amortised cost. These financial assets meet the conditions for classification and measurement at amortised cost under AASB 9. 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 optionally at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not changed. <i>New impairment model</i> The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI), lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date the Group expects a small, albeit immaterial, increase in the allowance for doubtful trade receivables and debt instruments held at amortised cost.	1 January 2018	1 July 2018

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 9 <i>Financial Instruments</i> (continued)	<i>Hedge accounting</i> The new hedge accounting rules are designed to reduce complexity and improve alignment to the way entities manage their risks compared with AASB 139. The Group has confirmed that its existing hedge relationships will continue to qualify for hedge accounting upon adoption of AASB 9. The Group does not expect to materially change its existing hedge accounting approach under the new standard. <i>Disclosure</i> The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments, particularly in the year of adoption of the new standard.	1 January 2018	1 July 2018
AASB 16 <i>Leases</i>	AASB 16 modifies accounting for leases by removing the current distinction between operating and finance leases. The standard requires recognition of an asset and a financial liability for all leases, with exemptions for short term and low value leases. Under the new standard, entities will no longer be required to distinguish between finance leases and operating leases. The standard will primarily affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$151 million (see note B27). On transition and moving forward, for operating leases for which payments are currently required to be expensed, the Group will recognise right of use assets and corresponding liabilities for the principal amount of lease payments, which will then result in amortisation and interest expenses being recognised in the income statement (replacing operating lease expenses). Further, the principal component of lease payments will be reclassified from operating to financing in the statement of cash flows. Certain performance metrics and ratios will be impacted as a result of the above changes, including Proportional EBITDA, and Proportional Net Costs, which are measures used to assess executive performance as part of the Group's remuneration framework. The Group is also assessing the impact on Free Cash. The Group is still considering the appropriate treatment for transitioning to the new standard and has not yet forecast the financial impacts of the new standard. This will be completed by the Group closer to the application of the standard.	1 January 2019	1 July 2019
AASB 2016-5 <i>Classification and measurement of share-based payment transactions</i>	Amendments made to AASB 2 clarify how to account for cash-settled share-based payments with performance conditions, modifications that change a cash-settled arrangement to an equity-settled arrangement, and equity-settled awards that include a 'net settlement' feature which requires employers to withhold amounts to settle the employee's tax obligations. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2018	1 July 2018

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
<i>AASB 2017-1 Transfer of investment property, annual improvements 2014 – 2016 cycle and other amendments</i>	Amendment to AASB 128 clarifies that an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2018	1 July 2018
<i>AASB 2018-1 Annual improvements 2015 – 2017 cycle</i>	Amendments made to the following accounting standards as part of the Annual Improvements 2015-2017 Cycle: ▪ AASB 3 <i>Business Combinations</i> and AASB 11 <i>Joint Arrangements</i> to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business; ▪ AASB 112 <i>Income Taxes</i> to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits; ▪ AASB 123 <i>Borrowing Costs</i> to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2019	1 July 2019
<i>Interpretation 22 Foreign currency transactions and advance currency</i>	The interpretation clarifies how to apply the standard on foreign currency transactions, AASB 121, when an entity pays or receives consideration in advance for foreign currency-denominated contracts. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2018	1 July 2018
<i>Interpretation 23 Uncertainty over income tax treatment</i>	The interpretation clarifies how to apply the standard on income taxes, AASB 112, when an entity has to consider, recognise and measure the accounting impact of tax uncertainties. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material based on the Group's tax positions at 30 June 2018.	1 January 2019	1 July 2019

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
<i>Conceptual Framework for Financial Reporting</i>	The International Accounting Standards Board (IASB) has issued the revised <i>Conceptual Framework for Financial Reporting</i>. The primary purpose of the Framework is to assist the IASB (and the Interpretations Committee) in identifying concepts that it will use when setting accounting standards. Amendments were made to apply new definition and recognition criteria for assets, liabilities, income and expenses, and other relevant financial reporting concepts. The revised Framework will be used in future standard-setting decisions but no changes have been made to existing International Financial Reporting Standards. A formal assessment is yet to be completed on the impact of the revised Framework on the Group however Management does not believe there will be a significant impact given there is no change to existing International Financial Reporting Standards. A detailed formal assessment will be performed closer to the application of the standard.	1 January 2020	1 July 2020

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by management 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are found in the following notes:

▪ Income taxes	Note B7
▪ Fair value of derivatives and other financial instruments	Note B15
▪ Determination of service concession arrangements as intangible assets	Note B16
▪ Estimated impairment of intangible assets and cash generating units	Note B16
▪ Provision for maintenance expenditure	Note B18
▪ Valuation of promissory notes and concession notes	Note B19

Operating performance

B4 Segment information

In the segment information provided to the Executive Committee (chief operating decision maker), segments are defined by the geographical region in which the Group operates being Melbourne, Sydney, Brisbane and North America. The Group's corporate function is not an operating segment under the requirements of AASB 8 as its revenue generating activities are only incidental to the business.

The Executive Committee assesses the performance of the region based on a measure of proportional earnings before depreciation, amortisation, net finance costs and income taxes ('Proportional EBITDA'). This reflects the contribution of each region in the Group in the proportion of Transurban's equity ownership. Interest income and expenses are allocated to the region where the amounts are related specifically to the assets. Otherwise they are allocated to the corporate function.

Significant items are those items where their nature and amount is considered material to the financial statements and not in the ordinary course of business. Refer to note B6 for further details.

The diagram below shows the assets included in each geographical region, together with the ownership interests held by the Group for the current financial year:

	Melbourne	Sydney	Brisbane	North America
WHOLLY OWNED	CityLink (100%)	Lane Cove Tunnel (100%) Hills M2 Motorway (100%)		95 Express Lanes ¹ (100%) 495 Express Lanes (100%)
	West Gate Tunnel (100%)	Cross City Tunnel (100%)		A25 ³ (100%)
NON-100% OWNED AND CONSOLIDATED		M1 Eastern Distributor (75.1%)	Logan Motorway (62.5%) Gateway Motorway (62.5%)	
			Go Between Bridge (62.5%) Clem7 (62.5%)	
			Legacy Way (62.5%) AirportlinkM7 (62.5%)	
NON-100% OWNED AND EQUITY ACCOUNTED		Westlink M7 ² (50%) Interlink M5 (50%)		
		NorthConnex ² (50%)		

1. 395 Express Lanes (100%) is included in 95 Express Lanes.

2. Westlink M7 and NorthConnex form the NorthWestern Roads Group.

3. A25 was acquired on 5 June 2018.

B4 Segment information (continued)

Segment information – proportional income statement

2018

\$M	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue	780	944	393	223	–	2,340
Other revenue	23	28	3	1	1	56
Total proportional revenue	803	972	396	224	1	2,396
Underlying proportional EBITDA	688	766	279	130	(67)	1,796
Significant items	–	–	–	(21)	–	(21)
Proportional EBITDA	688	766	279	109	(67)	1,775

2017

\$M	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue	687	872	385	209	–	2,153
Other revenue	22	24	2	–	3	51
Total proportional revenue	709	896	387	209	3	2,204
Underlying proportional EBITDA	594	702	268	116	(51)	1,629
Significant items	–	–	–	–	–	–
Proportional EBITDA	594	702	268	116	(51)	1,629

Reconciliation of segment information to statutory financial information

The proportional results presented above are different from the statutory financial results of the Group due to the proportional presentation of each asset's contribution to each geographical network and other adjustments relating to the contribution of revenue and the treatment of the financial income received in relation to the A25 availability payments and guaranteed toll income arrangements.

Segment revenue

Revenue from external customers comprises toll, service and fee revenues earned on toll roads. There are no inter-segment revenues. Segment revenue reconciles to total statutory revenue as follows:

	Note	2018 \$M	2017 \$M
Total segment revenue (proportional)		2,396	2,204
<i>Add:</i>			
Revenue attributable to non-controlling interests		274	267
Construction revenue from road development activities		989	592
Intragroup elimination ¹		13	11
<i>Less:</i>			
Proportional revenue of non-100% owned equity accounted assets		(372)	(342)
Toll revenue on A25 concession financial asset recognised as financial income ²		(1)	–
Other revenue on A25 concession financial asset recognised as financial income ²		(1)	–
Total statutory revenue	B5	3,298	2,732

1. Statutory revenue recognised in relation to arrangements with the equity accounted investments that are eliminated for segment purposes.

2. The Executive Committee assesses the performance of the Group using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 asset and are reflective of its underlying performance. For statutory accounting purposes, a portion of these income streams are included in finance income (see note B13) with the remainder recognised as a receipt of a receivable balance.

B4 Segment information (continued)

Proportional EBITDA

Proportional EBITDA reconciles to profit/(loss) before income tax as follows:

	2018 \$M	2017 \$M
Proportional EBITDA	1,775	1,629
Add: EBITDA attributable to non-controlling interests	193	186
Less: Proportional EBITDA of non-100% owned equity accounted assets	(317)	(289)
Less: Toll and other revenue on A25 concessional financial asset recognised as financial income ¹	(2)	–
Statutory profit before depreciation, amortisation, net finance costs, equity accounted investments and income taxes	1,649	1,526
Statutory depreciation and amortisation	(671)	(628)
Statutory net finance costs	(722)	(749)
Share of net profit from equity accounted investments	33	25
Profit before income tax	289	174

1. The Executive Committee assesses the performance of the Group using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 asset and are reflective of its underlying performance. For statutory accounting purposes, a portion of these income streams are included in finance income (see note B13) with the remainder recognised as a receipt of a receivable balance.

B5 Revenue

	2018 \$M	2017 \$M
Toll revenue	2,249	2,083
Construction revenue	989	592
Other revenue	60	57
Total revenue	3,298	2,732

Accounting policy

The Group generates the following types of revenue:

Revenue type	Recognition
<i>Toll revenue</i>	Recognised when the charge is incurred by the user and the amount is determined to be recoverable by the Group. Total toll revenue is net of any revenue share arrangements that the Group has triggered during the reporting period.
<i>Construction revenue</i>	Revenue for the construction of service concession infrastructure assets is recognised in accordance with the percentage of completion method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each project.
<i>Other revenue</i>	Includes management fee revenue, business development revenue, roaming fees and advertising revenue, and is recognised to the extent that incurred costs will be recovered.

B6 Significant items

Significant items are those items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. Such items included within the Group's results are detailed below:

		2018 Statutory \$M	2018 Proportional \$M	2017 Statutory \$M	2017 Proportional \$M
Transaction fees on acquisitions	B22	21	21	–	–
Total significant items		21	21	–	–
Income tax benefit associated with transaction fees on acquisitions		–	–	–	–
Net significant items		21	21	–	–

B7 Income tax

Income tax expense/(benefit)

	2018 \$M	2017 \$M
Current tax	32	(49)
Deferred tax	(215)	11
Under provision in prior years	4	3
	(179)	(35)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase) / decrease in deferred tax assets	16	(14)
(Decrease) / Increase in deferred tax liabilities	(231)	25
	(215)	11

Reconciliation of income tax expense/(benefit) to prima facie tax payable

	2018 \$M	2017 \$M
Profit/(loss) before income tax expense/(benefit)	289	174
Tax at the Australian tax rate of 30.0% (2017: 30.0%)	87	52
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	(197)	(61)
Equity accounted results	(10)	(7)
Tax rate differential	5	(3)
Change to US tax legislation	26	–
Non-deductible interest	14	13
Non-deductible depreciation	(3)	(12)
Prior year tax losses recognised	(105)	(16)
Sundry items	–	(4)
Under/(over) provision in prior years	4	3
Income tax benefit	(179)	(35)
Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	(47)	17
Foreign currency translation	6	(1)
	(41)	16

Changes to US tax legislation

On 22 December 2017, the US Tax Cuts and Jobs Act (“the Tax Act”) was signed into law. Included in the Tax Act is a change to the US Federal Corporate Tax Rate from 35% to 21%. All deferred tax balances related to the US operations of the Group have been adjusted to the lower enacted tax rate from 1 January 2018, resulting in an income tax expense of \$26 million being recorded for the year ended 30 June 2018. There were no changes to the State Corporate Tax Rate for the State of Virginia.

Prior year tax losses recognised

The Group’s accounting policy is to record deferred tax assets for carry forward unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which unused tax losses can be utilised prior to expiry (if applicable).

During the year ended 30 June 2018, the Group undertook a review of its unbooked tax losses in conjunction with updated forecast financial information of the relevant entities in the Group. As a result, the Group has determined it is probable future taxable profit will be available to utilise previously unbooked tax losses in the Group’s US operations prior to their expiry. Accordingly, an additional deferred tax asset of \$105 million was recorded as at 31 December 2017.

B7 Income tax (continued)

Deferred tax assets and liabilities

	Assets		Liabilities	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
The balance comprises temporary differences attributable to:				
Provisions	375	361	–	–
Current and prior year losses	870	882	–	–
Fixed assets/intangibles	557	587	(1,599)	(1,346)
Concession fees and promissory notes	–	–	(300)	(407)
Derivatives and foreign exchange	218	135	(96)	(83)
Other	11	1	–	–
Tax assets/(liabilities)	2,031	1,966	(1,995)	(1,836)
Set-off of tax	(1,010)	(905)	1,010	905
Net tax assets/(liabilities)	1,021	1,061	(985)	(931)
Movements:				
Opening balance at 1 July	1,966	2,007	(1,836)	(1,891)
Credited/(charged) to the statement of comprehensive income	121	14	120	(25)
Change to US tax legislation credited/(charged) to the statement of comprehensive income	(137)	–	111	–
Credited/(charged) to equity	85	(32)	(44)	16
Acquired	40	–	(358)	–
Foreign exchange movements	25	(21)	(21)	11
Transfer from deferred tax assets/liabilities	(33)	(53)	33	53
Current year losses recognised/(prior year losses utilised)	(36)	46	–	–
Other	–	5	–	–
Closing balance at 30 June	2,031	1,966	(1,995)	(1,836)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	2,031	1,966	(1,995)	(1,836)

Accounting policy

The income tax expense/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 expense 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.

The Transurban stapled group comprises two corporate entities (THL and TIL) and a trust (THT). THT operates as a flow-through trust, and is not liable to pay tax itself. Instead, security holders pay tax on the distributions they receive from the trust at their individual marginal tax rates. The Group is structured in this way because the initial heavy capital investment and associated debt funding required for infrastructure investments results in accounting losses being generated in the initial years which would otherwise prevent a company from paying dividends. The trust enables distributions to be made to security holders throughout the life of the asset.

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, deferred income tax is not accounted for if it arises from the 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 substantively 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 assets and liabilities 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 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.

B7 Income tax (continued)

Accounting policy (continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Investment allowances

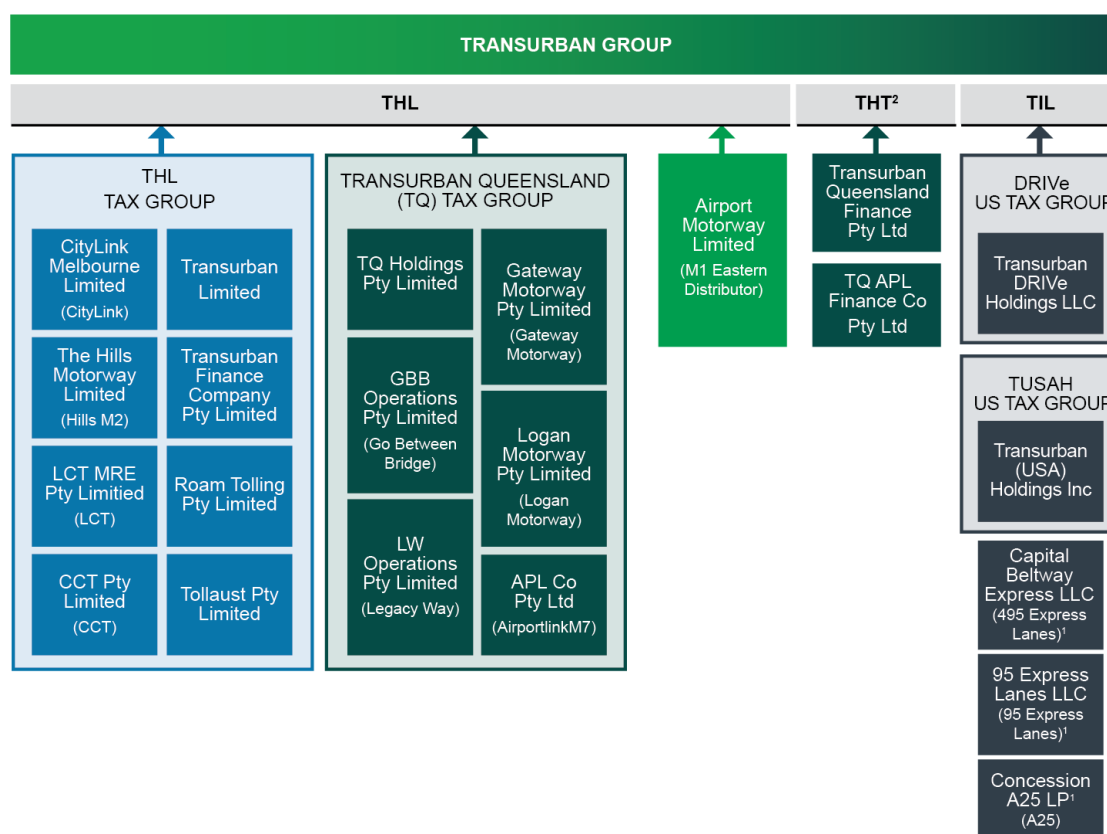
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised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

Tax consolidation legislation

The Transurban Group has adopted the Australian tax consolidation legislation for THL and its wholly-owned Australian entities from 1 July 2005.

All entities within the Australian tax consolidated groups 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.

The tax consolidated groups within the Group are summarised as follows:



1. Entity is classified as a partnership for tax purposes.

2. There are no tax groups under THT.

B7 Income tax (continued)

THL tax consolidated group

The entities in the THL tax consolidated group entered into a tax sharing agreement ('TSA') effective from 29 April 2009.

The entities in the THL 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 at the end of the financial year for each wholly-owned entity. THL determines and communicates the amount payable/receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

Transurban Queensland tax consolidated group

The entities in the Transurban Queensland Holdings 1 Pty Ltd ('TQH1') tax consolidated group entered into a TSA effective from 2 July 2014. The entities in the TQH1 tax consolidated group have also entered into a TFA effective from 2 July 2014. APL Hold Co Pty Ltd ('AirportlinkM7') and its controlled entities entered the Transurban Queensland tax consolidated group effective from 23 November 2015.

Under the TFA the wholly-owned entities fully compensate TQH1 for any current tax payable assumed and are compensated by TQH1 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 at the end of the financial year for each wholly-owned entity. TQH1 determines and communicates the amount payable / receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

Transurban DRIVE tax consolidated group

Transurban DRIVE Holdings LLC ('TDH') is the head company of the DRIVE tax consolidated group. The DRIVE tax consolidated group is consolidated for US tax purposes in the sense that the 100% subsidiaries of TDH have elected to be treated as disregarded entities for US tax purposes. This treatment means that those entities are ignored for US tax purposes and that TDH, as head entity, carries any tax liability or benefits arising in the group. The DRIVE tax consolidated group currently owns partnership interests in both 495 Express Lanes and 95 Express Lanes and includes its share of each asset's profits or losses in its US tax return.

Transurban (USA) Holdings tax consolidated group

Transurban (USA) Holdings LLC ('TUSAH') is the head company of the TUSAH tax consolidated group. The TUSAH tax consolidated group owns the remaining partnership interests in both 495 Express Lanes and 95 Express Lanes and includes its share of each asset's profits or losses in its US tax return.

Concession A25 LP

Concession A25 LP (A25 LP) is treated as a partnership for tax purposes and is the main operating entity of the A25 Group. The partner's of A25 LP includes its share of A25 LP's profits or losses in its Canadian tax return.

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.

B7 Income tax (continued)

Key estimate

The Group is subject to income taxes in Australia, the United States and Canada. 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 United States carried forward tax losses relating to periods on or before 30 June 2018 generally expire after a 20 year period and tax losses relating to periods post 30 June 2018 are generally carried forward indefinitely, subject to an 80 per cent limit on taxable income in any one year. In Canada tax losses generally expire after a 20 year period. Management has reviewed the potential future taxable profits and has recognised deferred tax assets in relation to tax losses.

B8 Working capital

The Group's working capital balances are summarised as follows:

		2018 \$M	2017 \$M
Current assets			
Cash and cash equivalents		1,130	988
Trade receivables		90	81
Other receivables		71	41
Concession financial asset	B17	26	–
Loan receivable at call		246	–
Prepayments		11	8
		444	130
Held-to-maturity investments		226	157
		1,800	1,275
Current liabilities			
Trade payables and accruals		(516)	(347)
		(516)	(347)
Net working capital		1,284	928

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. All cash balances are interest bearing.

The amount shown in cash and cash equivalents includes \$380 million not available for general use at 30 June 2018 (2017: \$223 million) of which \$274 million (2017: \$132 million) belongs to TIL. This comprises amounts required to be held in a construction account, maintenance and funding reserves and prepaid tolls, which are not available for general use.

Current held to maturity investments as shown in the table above are short term investments in government treasuries that are due to mature within 12 months, which management intends to hold to maturity.

Trade and other 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. 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 unrecoverable are written off by reducing the carrying amount of trade debtors directly. An allowance for impairment is used when there is 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 allowance for impairment is the difference between the carrying amount and the amount expected to be recoverable. The additional amount of the allowance for doubtful debtors is recognised in profit or loss.

As at 30 June 2018, the Group held an allowance for doubtful debtors of \$4 million (2017: \$2 million), recognised for current trade receivables that were considered potentially unrecoverable. As at 30 June 2018, trade receivables of \$24 million (2017: \$18 million) were overdue but the Group still believes that these overdue amounts will be received in full. The other classes within trade and other receivables do not contain amounts that are considered to be potentially unrecoverable.

As at 30 June 2018, the Group has an outstanding receivable of \$246 million (2017: \$0 million) relating to the State of Victoria's contribution for the design and construction works of the West Gate Tunnel Project. The outstanding balance is repayable on demand.

The carrying amount of trade and other receivables approximates their fair value.

Security holder outcomes

B9 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

	2018	2017
Profit attributable to ordinary security holders of the stapled group (\$M)	485	239
Weighted average number of securities (M)	2,138	2,046
Basic and diluted earnings per security attributable to the ordinary security holders of the stapled group (Cents)	22.7	11.7

B10 Dividends/distributions and free cash

	Total \$M	Paid in cash \$M	Settled in securities \$M	Cents	Date paid/ payable
<i>Dividends/distributions paid by the Group</i>					
2017					
Declared 24 May 2016					
Franked THL	70	60	10	3.5	
Unfranked THT	396	331	65	19.5	
	466	391	75	23.0	12 August 2016
Declared 5 December 2016¹					
Franked THL	72	55	17	3.5	
Unfranked THT	439	355	84	21.5	
	511	410	101	25.0	10 February 2017
Total paid FY17	977	801	176	48.0	

2018					
Declared 23 May 2017¹					
Franked THL	72	69	3	3.5	
Unfranked THT	472	454	18	23.0	
	544	523	21	26.5	11 August 2017
Declared 4 December 2017²					
Franked THL	51	46	5	2.5	
Unfranked THT	524	495	29	25.5	
	575	541	34	28.0	16 February 2018
Total paid FY18	1,119	1,064	55	54.5	

Dividends/distributions payable by the Group

Declared 21 May 2018²					
Franked THL	56	—	—	2.5	
Unfranked THT	567	—	—	25.5	
	623	—	—	28.0	10 August 2018

1. Total declared FY17 is \$1,055 million.

2. Total declared FY18 is \$1,198 million.

B10 Dividends/distributions and free cash (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:

	2018 \$M	2017 \$M
Cash flows from operating activities	1,053	837
Add back transaction and integration costs related to acquisitions	20	113
Add back payments for maintenance of intangible assets	95	69
Less cash flow from operating activities from consolidated non 100% owned entities	(350)	(312)
Less allowance for maintenance of intangible assets for 100% owned assets	(49)	(61)
<i>Adjust for distributions and interest received from non 100% owned entities</i>		
M1 Eastern Distributor distribution	59	55
M5 distribution and term loan note payments	82	68
Transurban Queensland distribution and shareholder loan note payments	164	161
NWRG distribution	141	290
Free cash	1,215	1,220
Weighted average securities on issue (millions)¹	2,140	2,048
Free cash per security (cents) – weighted average securities	56.8	59.6

1. The weighting applied to securities is based on their eligibility for distributions during the year and is consequently different to weighted average securities calculated at B9 Earnings per stapled security.

Franking credits

	2018 \$M	2017 \$M
Franking credits available for subsequent periods based on a tax rate of 30.0% (2017: 30.0%)	139	157

Franking credits available for subsequent periods relate to Airport Motorway Holdings Pty Ltd \$132 million (2017: \$132 million) and Transurban Holdings Limited \$7 million (2017: \$25 million).

Distribution provision

A provision for distribution is recognised for any distribution declared and authorised on or before the end of the reporting period, but not distributed by the end of the reporting period. These distributions are provided for once they are approved by the board, are announced to equity holders and are no longer at the discretion of the entity.

Movements in distribution provision

Movements in the distribution provision during the financial year are set out below:

	Distribution to security holders \$M	Distributions to non-controlling interest – other \$M	Total \$M
Balance at 1 July 2016	466	50	516
Additional provision recognised	1,055	90	1,145
Amounts paid	(801)	(90)	(891)
Amounts reinvested	(176)	–	(176)
Balance at 30 June 2017	544	50	594
Additional provision recognised	1,198	80	1,278
Amounts paid	(1,064)	(82)	(1,146)
Amounts reinvested	(55)	–	(55)
Balance at 30 June 2018	623	48	671

Capital and borrowings

B11 Contributed equity

	2018 \$M	2017 \$M
Fully paid stapled securities	1,746	1,450
	1,746	1,450

Stapled securities

Stapled securities are classified as equity and entitle the holder to participate in distributions and on winding up of the Group in proportion to the number of securities held. Every holder of a stapled security present at a meeting, in person or by proxy, is entitled to one vote. The issued units of the Group are made up of a parcel of stapled securities, each parcel comprising one share in THL, one unit in THT and one share in TIL. The individual securities comprising a parcel of stapled securities cannot be traded separately.

Other contributed equity units attributable to security holders of the Group relating to THT and TIL of \$12,606 million (2017: \$10,974 million) is included within non-controlling interests—THT/TIL.

B12 Reserves

	Cash flow hedges \$M	Foreign currency translation \$M	Transactions with non- controlling interests \$M	Total \$M
Balance 1 July 2016	(89)	22	1	(66)
Revaluation – gross	4	(4)	–	–
Deferred tax	–	1	–	1
Transfers to profit	–	3	–	3
Share of other comprehensive income of equity accounted investments, net of tax	8	–	–	8
Balance 30 June 2017	(77)	22	1	(54)
Revaluation – gross	(74)	14	–	(60)
Deferred tax	23	(3)	–	20
Transfers to profit	–	(8)	–	(8)
Share of other comprehensive income of equity accounted investments, net of tax	1	–	–	1
Balance 30 June 2018	(127)	25	1	(101)

Nature of reserves	Purpose of reserves
<i>Cash flow hedges</i>	Used to record gains or losses on cash flow hedging instruments, which are used by the Group to mitigate the risk of movements in exchange rates and interest rates. Amounts are reclassified to profit or loss when the transaction to which the hedge is linked (such as the payment of interest) affects profit or loss.
<i>Foreign currency translation</i>	Exchange differences arising on translation of the United States and Canadian operations of the Group are recognised in this reserve.
<i>Transactions with non-controlling interests</i>	The Group uses the economic entity approach when accounting for transactions with non-controlling interests.

B13 Net finance costs

	2018 \$M	2017 \$M
<i>Finance income</i>		
Interest income on held-to-maturity investments	60	42
Interest income on bank deposits	29	21
Income from concession financial asset	2	–
Net foreign exchange gains	6	–
Total finance income	97	63
<i>Finance costs</i>		
Interest and finance charges paid/payable	(739)	(749)
Unwind of discount on liabilities – promissory and concession notes	(6)	(8)
Unwind of discount on liabilities – other liabilities	(19)	(15)
Unwind of discount on liabilities – maintenance provision	(55)	(38)
Net foreign exchange losses	–	(2)
Total finance costs	(819)	(812)
Net finance costs	(722)	(749)

An additional \$25 million (2017: \$13 million) of financing costs have been capitalised and included in the carrying value of assets under construction.

B14 Borrowings

	2018 \$M	2017 \$M
<i>Current</i>		
TIFIA	–	12
Capital markets debt	255	300
U.S. private placement	246	163
Term debt	23	405
Total current borrowings	524	880
<i>Non-current</i>		
Working capital facilities	–	30
Capital markets debt	8,232	6,196
U.S. private placement	2,466	2,619
Term debt	2,622	2,527
TIFIA	1,243	1,176
Shareholder loan notes	308	320
Total non-current borrowings	14,871	12,868
Total borrowings	15,395	13,748

Accounting policy

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 profit or loss 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 profit or loss 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.

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 capitalised and amortised over the effective period of the funding.

B14 Borrowings (continued)

Financing arrangements and credit facilities

Credit facilities are provided as part of the overall debt funding structure of the Group. The drawn component of each facility is shown below:

	Maturity	Carrying value	
		2018 \$M	2017 \$M
Corporate debt			
<i>Working capital facilities drawn</i>			
AUD 100m facility ¹	Jun 2019	–	33
Net capitalised borrowing costs		–	(3)
<i>Capital markets debt</i>			
Domestic wrapped bond AUD 300m	Nov 2017	–	300
EMTN CAD 250m	Mar 2019	255	250
EMTN EUR 500m	Oct 2020	789	743
EMTN EUR 600m	Sep 2024	946	892
EMTN EUR 500m	Aug 2025	788	743
US 144A USD 550m	Feb 2026	744	715
US 144A USD 550m	Mar 2027	744	715
EMTN NOK 750m	Jul 2027	125	117
EMTN EUR 500m	Mar 2028	788	–
Net capitalised borrowing costs		(53)	(35)
<i>U.S. private placement</i>			
Aug 2005 – Tranche B USD 126m	Aug 2017	–	163
Nov 2006 – Tranche B USD 136m (plus accreted interest)	Nov 2018	246	236
Dec 2004 – Tranche C USD 109m	Dec 2019	147	141
Dec 2004 – Tranche D AUD 72m	Dec 2019	72	72
Aug 2005 – Tranche C USD 157m	Aug 2020	212	203
Nov 2006 – Tranche C USD 121m (plus accreted interest)	Nov 2021	219	211
Nov 2006 – Tranche D USD 50m (plus accreted interest)	Nov 2026	91	88
Net capitalised borrowing costs		–	(1)
Total corporate debt, net of capitalised borrowing costs		6,113	5,583

1. These facilities were refinanced during FY18.

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

	Maturity	Carrying value	
		2018 \$M	2017 \$M
Non-recourse debt			
Capital markets debt			
Airport Motorway Trust – Domestic bond AUD 300m	Dec 2020	300	300
Transurban Queensland Finance – Domestic bond AUD 250m	Dec 2021	250	250
Transurban Queensland Finance – EMTN CHF 200m	Jun 2023	272	272
Transurban Queensland Finance – Domestic bond AUD 200m	Oct 2023	200	200
Transurban Queensland Finance – Domestic bond AUD 200m	Dec 2024	200	200
Transurban Queensland Finance – EMTN CHF 200m	Dec 2025	272	–
Transurban Queensland Finance – EMTN CHF 175m	Nov 2026	238	238
Transurban Queensland Finance – EMTN Reg S USD 500m	Apr 2028	676	–
95 Express Lanes – Private activity bonds USD 72m	Jul 2034 ¹	97	93
95 Express Lanes – Private activity bonds USD 107m	Jul 2034 ¹	145	–
95 Express Lanes – Private activity bonds USD 170m	Jan 2040 ¹	230	221
95 Express Lanes – Private activity bonds USD 126m	Jan 2040 ¹	171	–
495 Express Lanes – Private activity bonds USD 225m	Dec 2047	304	292
Net capitalised borrowing costs ²		6	(10)
U.S. private placement			
Transurban Queensland Finance – Sep 2015 – Tranche A USD 155m	Sep 2025	210	202
Transurban Queensland Finance – Dec 2016 – Tranche A USD 130m	Dec 2026	176	169
Transurban Queensland Finance – Dec 2016 – Tranche D AUD 35m	Dec 2026	35	35
Transurban Queensland Finance – Sep 2015 – Tranche B USD 230m	Sep 2027	311	299
Transurban Queensland Finance – Dec 2016 – Tranche B USD 225m	Dec 2028	304	293
Transurban Queensland Finance – Sep 2015 – Tranche C USD 256m	Sep 2030	346	333
Transurban Queensland Finance – Sep 2015 – Tranche D AUD 70m	Sep 2030	70	70
Transurban Queensland Finance – Dec 2016 – Tranche C USD 78m	Dec 2031	106	101
Transurban Queensland Finance – Dec 2016 – Tranche E AUD 75m	Dec 2031	75	75
Transurban Queensland Finance – Jan 2017 – Tranche F AUD 100m	Jan 2035	100	100
Net capitalised borrowing costs		(8)	(8)
Term debt			
Hills Motorway Trust – Term debt AUD 405m ³	Mar 2018	–	405
Airport Motorway Trust – Term debt AUD 225m ³	Jul 2018	–	225
TQ APL Finance – Term debt AUD 475m ³	Apr 2019	–	475
Transurban Queensland – Term debt AUD 960m	Oct 2019	43	–
Cross City Tunnel Trust – Term debt AUD 278m	Dec 2019	278	278
Transurban Queensland Finance – Capex facility AUD 820m	Dec 2019	303	77
Hills Motorway Trust – Term debt AUD 350m	Mar 2020	350	350
TQ APL Finance – Term debt AUD 475m ³	Apr 2021	–	475
Lane Cove Tunnel Trust – Term debt AUD 160m	May 2021	160	160
Airport Motorway Trust – Term debt AUD 226m ⁴	May 2022	226	–
Hills Motorway Trust – Term debt AUD 408m	Nov 2022	408	–
Concession A25 LP – Term debt CAD 383m ⁴	Feb 2023	385	–
Lane Cove Tunnel Trust – Term debt AUD 60m	May 2025	60	60
Lane Cove Tunnel Trust – Term debt AUD 200m	May 2028	200	200
Transurban Queensland Finance – Term debt AUD 200m	Apr 2030	200	200
Lane Cove Tunnel Trust – Term debt AUD 40m	May 2031	40	40
Net capitalised borrowing costs		(8)	(13)

1. This represents final maturity.

2. Net capitalised costs paid have been offset by \$23m of PABs premiums received during FY18.

3. These facilities were refinanced during FY18.

4. These facilities require principle repayments throughout their life, with \$23 million due within one year of 30 June 2018 and are classified as current borrowings.

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

	Maturity	Carrying value 2018 \$M	2017 \$M
Non-recourse debt (continued)			
<i>TIFIA loans</i>			
495 Express Lanes – Facility limit USD 589m (plus accreted interest)	Oct 2047 ^{1,2}	905	863
95 Express Lanes – Facility limit USD 300m (plus accreted interest)	Jan 2048 ^{1,2}	338	325
<i>Shareholder loan notes</i>			
Loan from Transurban Queensland consortium partners – AUD 281m	Dec 2048	281	281
Loan from Transurban Queensland consortium partners – AUD 39m ³	Jul 2053	27	39
Total non-recourse debt, net of capitalised borrowing costs		9,282	8,165
Total debt		15,395	13,748

1. This represents final maturity.

2. These facilities require principal repayments throughout their life, with the first such payment due at the completion of the interest capitalisation period.

3. A portion of these shareholder loan notes has been repaid during FY18.

Working capital facilities

- The corporate facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited; and
- The Transurban Queensland Finance facility is secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets. At 30 June 2018 the facility was undrawn.

Capital markets debt

- A corporate secured EMTN program was established in October 2011 with a program limit of USD\$2 billion, which increased to USD \$5 billion in May 2015. Under the program the Group may from time to time issue notes denominated in any currency. These facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- The corporate US 144A notes are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- The Airport Motorway Trust domestic bond was secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets;
- The Transurban Queensland Finance domestic bonds are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets;
- A Transurban Queensland Finance EMTN program was established in March 2016 with a program limit of USD\$2 billion. Under the program, Transurban Queensland Finance may from time to time issue notes denominated in any currency. These notes are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets;
- The 95 Express Lanes Private Activity Bonds ('PABs'), including the PABs issued in relation to the 395 Express, are secured against the rights of 95 Express Lanes LLC and its assets; and
- The 495 Express Lanes PABs are secured against the rights of Capital Beltway Express LLC and its assets.

B14 Borrowings (continued)

U.S. private placement

- Corporate U.S. private placement facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited; and
- The Transurban Queensland Finance U.S private placement facilities are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets.

Term debt

- The Airport Motorway facility is secured against the respective rights of Airport Motorway Limited, the Airport Motorway Trust and their assets;
- The Hills Motorway Trust facilities are secured against the respective rights of Hills Motorway Limited, Hills Motorway Trust and their assets;
- The Lane Cove Tunnel facility is secured against the respective rights of LCT-MRE Pty Limited, LCT-MRE Trust and their assets;
- The Cross City Tunnel facility is secured against the respective rights of Transurban CCT Pty Limited, Transurban CCT Trust and their assets;
- The Transurban Queensland Finance facilities are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets; and
- The A25 credit facility is secured against the respective rights of Concession A25 Funding Limited and Concession A25, L.P. and their assets

Transportation Infrastructure Finance and Innovation Act ('TIFIA')

- The 495 Express Lanes TIFIA facility is secured against the rights of Capital Beltway Express LLC and its assets; and
- The 95 Express Lanes TIFIA facility is secured against the rights of 95 Express Lanes LLC and its assets.

Virginia Transportation Infrastructure Bank ('VTIB')

- The 95 Express Lanes VTIB facility is secured against the rights of 95 Express Lanes LLC and its assets.

Shareholder loan notes

- The loans to Transurban Queensland from the acquisition consortium partners are unsecured.

B14 Borrowings (continued)

Letters of credit and corporate credit facilities

	Maturity	2018 \$M		2017 \$M	
		Facility amount	Amount issued	Facility amount	Amount issued
Letter of credit facility	Nov 2019	75	62	50	43
General credit facility ¹	Dec 2019	6	5	6	5
Letter of credit facility	Jan 2020	240	240	240	240
Letter of credit facilities	Jul 2020	225	170	–	–
Letter of credit facility	Feb 2023	12	12	–	–
Total		558	489	296	288

1. The general credit facility covers corporate requirements including credit card facilities, online banking and an overdraft facility.

No letters of credit and bank guarantees have been issued under multi-option facilities and working capital facilities this year (2018: nil; 2017: \$72 million). All letters of credit are currently undrawn and therefore no liability is recorded.

Covenants

A number of the Group's consolidated borrowings include financial covenants, which are listed below. There have been no breaches of any of these covenants during the year.

Corporate Debt

Covenant	Threshold
Senior interest coverage ratio	Greater than 1.25 times
Group Market Capitalisation	Gearing must not exceed 60% ¹
CityLink Interest Coverage Ratio	Greater than 1.1 times

Non-Recourse Debt

Covenant	Threshold
Airport Motorway Trust Interest Coverage Ratio	Greater than 1.15 times
Hills Motorway Trust Interest Coverage Ratio	Greater than 1.15 times
Lane Cove Tunnel Trust Interest Coverage Ratio	Greater than 1.15 times
Cross City Tunnel Trust Interest Coverage Ratio	Greater than 1.15 times
Transurban Queensland Finance Interest Coverage Ratio	Greater than 1.20 times
495 Express Lanes Senior Debt Service Coverage Ratio	Greater than 1.15 times
A25 Interest Coverage Ratio	Greater than 1.05 times

1. Based on the balance sheet as at 30 June 2018, the Group's average closing security price over 20 consecutive business days would need to be below \$3.92 (2017: \$4.22) per security to trigger this clause.

B15 Derivatives and financial risk management

Derivatives

	2018 \$M		2017 \$M	
	Current	Non-current	Current	Non-current
Assets				
Interest rate swap contracts – cash flow hedges	–	5	–	8
Forward exchange contract – cash flow hedges	1	–	–	–
Cross-currency interest rate swap contracts – cash flow hedges	20	212	–	74
Total derivative financial instrument assets	21	217	–	82
Liabilities				
Interest rate swap contracts – cash flow hedges	–	185	2	128
Forward exchange contracts – cash flow hedges	1	–	1	–
Cross-currency interest rate swap contracts – cash flow hedges	10	256	2	234
Total derivative financial instrument liabilities	11	441	5	362

Accounting policy

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 this note. Movements in the cash flow hedging reserve in shareholders' equity are shown in note B12. 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.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, 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 profit or loss 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 profit or loss.

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.

B15 Derivatives and financial risk management (continued)

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 profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

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 profit or loss.

Gains and losses accumulated in equity are included in profit or loss 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 profit or loss.

Hedging strategy and instruments used by the Group

The Group uses derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. The Group's policies allow derivative transactions to be undertaken for the purpose of reducing risk and do not permit speculative trading. The instruments used by the Group are as follows:

Interest rate swap contracts—cash flow hedges

The Group uses interest rate swap contracts to manage the Group's exposure to variable interest rates related to borrowings. Interest rate swap contracts currently in place cover 89% (2017: 98%) of the variable debt held by the Group (excluding working capital facilities).

Forward exchange contracts—cash flow hedges

The Group currently uses forward exchange contracts to protect against exchange rate movements between the AUD and foreign currencies. The Group has hedged a portion of its USD interest commitments and its capital expenditure commitments.

Cross-currency interest rate contracts—cash flow hedges

The Group has entered into cross-currency interest rate swap contracts to remove the risk of unfavourable exchange rate movements on borrowings held in foreign currencies. Under these contracts, the Group receives foreign currency at fixed rates and pays AUD at either fixed or floating rates. The Group then uses the interest rate swap contracts to hedge the floating interest rate commitments back to fixed interest rates.

Offsetting financial assets and financial liabilities

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.

B15 Derivatives and financial risk management (continued)

Hedge of net investment in foreign entity

Transurban's investment in its US and Canadian based assets (495 Express Lanes and 95 Express Lanes in the US, A25 in Canada) act as a natural hedge against the exposure to foreign currency movements for a portion of the Group's USD denominated borrowings and AUD:CAD forward derivative instruments. Exchange differences arising on the revaluation of these financial instruments are recognised in profit or loss in the separate financial statements of the relevant subsidiaries. In the Group financial statements these exchange differences are recognised in the foreign currency translation reserve in equity and will be transferred to profit or loss when the Group disposes its interest in either the US or Canadian based assets. As at 30 June 2018, the Group has deferred \$91 million in losses (2017: \$43 million losses).

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 under the policies approved by the Board. The Group reviews operations actively to identify and monitor all financial risks and to mitigate these risks through the use of hedging instruments where appropriate. The Board is informed on a regular basis of any material exposures to financial risks.

The Group continuously monitors risk exposures over time through review of cash flows, price movements, market analysis and ongoing communication within the Group. When measuring financial risk, the Group considers positive and negative exposures, existing hedges and the ability to offset exposures where possible.

B15 Derivatives and financial risk management (continued)

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk when future 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 investments in foreign assets are generally managed using foreign currency debt. All known material operating exposures out to 12 months are hedged, either using hedging instruments, or are offset by drawing on foreign currency funds.

Exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises, was as follows:

	2018 Local \$M					2017 Local \$M				
	USD	EUR	CAD	CHF	NOK	USD	EUR	CAD	CHF	NOK
Net investment in foreign operation	1,235	–	868	–	–	1,253	–	–	–	–
Borrowings	(3,350)	(2,100)	(250)	(575)	(750)	(3,001)	(1,600)	(250)	(375)	(750)
Cross-currency interest rate swaps	2,383	2,100	(596)	575	750	2,009	1,600	250	375	750
Net exposure	268	–	22	–	–	261	–	–	–	–

Sensitivity

Sensitivity to exchange rate movements based on the translation of financial instruments held at the end of the period is as follows:

	2018 \$M		2017 \$M	
	Movement in post-tax profit	Increase / (decrease) in equity	Movement in post-tax profit	Increase / (decrease) in equity
AUD/USD				
+ 10 cents	–	(62)	–	(75)
- 10 cents	–	82	–	104
AUD/EUR				
+ 5 cents	–	(47)	–	(36)
- 5 cents	–	62	–	46
AUD/CAD				
+ 10 cents	–	(1)	–	(1)
- 10 cents	–	1	–	1
AUD/CHF				
+ 10 cents	–	(19)	–	(15)
- 10 cents	–	32	–	27
AUD/NOK				
+ 50 cents	–	(2)	–	(2)
- 50 cents	–	3	–	2

The Group revalues its foreign currency denominated borrowings each period using market spot rates and, where these borrowings have been appropriately hedged, defers these movements in the cash flow hedge reserve in equity. The volatility in the cash flow hedge reserve 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.

B15 Derivatives and financial risk management (continued)

Interest rate risk

The Group's main exposure to interest rate risk arises from cash and cash equivalents, and long-term borrowings. The Group manages interest rate risk by entering into fixed rate debt facilities or by using interest rate swaps to convert floating rate debt to fixed interest rates. Generally, the Group raises long term borrowings at floating interest rates and swaps them into fixed interest 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%. At 30 June 2018, 89% (2017: 97%) of the Group's interest rate exposure on variable rate borrowings was hedged.

As at the reporting date, the Group had the following cash balances, variable rate borrowings and interest rate swap contracts outstanding:

	2018 \$M	2017 \$M
Cash and cash equivalents	1,130	988
Floating rate borrowings	(3,149)	(3,761)
Interest rate swaps (notional principal amount)	2,803	3,652
Net exposure to interest rate risk	784	879

Sensitivity

Sensitivity to interest rate movements based on variable rate obligations is as follows:

	2018 \$M	2017 \$M
Interest rates +100bps	8	9
Interest rates -100bps	(8)	(9)

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 entering into financial transactions through the ordinary course of business. These include funds held on deposit, cash investments and the market value of derivative transactions.

The Group assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. The Board approved policies ensure that 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.

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. The Group 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.

B15 Derivatives and financial risk management (continued)

Financing arrangements

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

	2018 \$M	2017 \$M
Floating rate		
Expiring within one year	–	407
Expiring beyond one year	1,675	434
	1,675	841

As at 30 June 2018, the Group has letter of credit facilities and general credit facilities in place with undrawn capacity of \$69 million (2017: \$8 million). The facilities are committed for the duration of the facility and the undrawn portion cannot be withdrawn by the lenders without notice.

Contractual maturities of financial liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

2018 \$M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	516	–	–	–	–	–	516	516
Borrowings	859	1,734	2,029	1,068	1,508	14,573	21,771	15,395
Interest rate swaps	40	31	20	13	101	21	226	180
Cross-currency swaps	142	140	102	126	86	(647)	(51)	34
Concession and promissory notes	–	–	–	–	–	519	519	90
Other liabilities	155	–	–	–	–	–	155	149
Total	1,712	1,905	2,151	1,207	1,695	14,466	23,136	16,364

2017 \$M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	347	–	–	–	–	–	347	347
Borrowings	1,158	1,677	1,353	2,377	812	12,567	19,944	13,748
Interest rate swaps	51	33	22	8	7	24	145	122
Cross-currency swaps	121	115	116	99	96	(440)	107	163
Concession and promissory notes	–	–	–	–	–	493	493	78
Other liabilities	45	155	–	–	–	–	200	186
Total	1,722	1,980	1,491	2,484	915	12,644	21,236	14,644

Capital risk management

The Group is subject to a gearing ratio covenant imposed by senior secured lenders and monitors capital on the basis of the gearing ratio to ensure compliance with the covenant. There have been no breaches of the covenant during the current financial year. For further information refer to the Borrowings note B14.

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

B15 Derivatives and financial risk management (continued)

Fair value measurements

The carrying value of the Group's financial assets and liabilities approximate fair value. This is also generally the case with borrowings since either the interest payable on those borrowings is close to current market rates or the borrowings are of a short-term nature. The fair values of non-current borrowings are determined based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs.

Fair value is categorised within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement as a whole:

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

All of the Group's financial instruments measured, recognised and disclosed at fair value were valued using market observable inputs (Level 2). There were no transfers between levels during the period and there has been no change in the valuation techniques applied.

Key estimate

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 its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. 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.

Network summary

The table below summarises the key balance sheet items of the Group's concession assets by geographical region:

2018 \$M	Equity accounted investment carrying amount	Concession intangible assets	Concession financial assets	Assets under construction	Goodwill	Maintenance provision
Melbourne	–	3,188	–	676	1	(135)
Sydney	469	4,933	–	3	260	(183)
Brisbane	–	7,735	–	300	205	(628)
North America	5	3,903	349	165	–	(118)
Net book amount	474	19,759	349	1,144	466	(1,064)

2017 \$M	Equity accounted investment carrying amount	Concession intangible assets	Concession financial assets	Assets under construction	Goodwill	Maintenance provision
Melbourne	–	2,364	–	855	1	(134)
Sydney	654	5,005	–	73	260	(169)
Brisbane	–	7,935	–	85	205	(624)
North America	–	2,489	–	58	–	(67)
Net book amount	654	17,793	–	1,071	466	(994)

B16 Intangible assets

2018 \$M	Concession assets	Assets under construction	Other Intangibles	Goodwill	Total
Cost	25,017	1,144	21	466	26,648
Accumulated amortisation	(5,258)	–	–	–	(5,258)
Net book amount	19,759	1,144	21	466	21,390

2017 \$M	Concession assets	Assets under construction	Other Intangibles	Goodwill	Total
Cost	22,639	1,071	–	466	24,176
Accumulated amortisation	(4,846)	–	–	–	(4,846)
Net book amount	17,793	1,071	–	466	19,330

B16 Intangible assets (continued)

Movement in intangible assets

	Concession assets \$M	Assets under construction \$M	Other Intangibles \$M	Goodwill \$M	Total \$M
Opening balance 1 July 2016	18,399	394	–	466	19,259
Additions	–	679	–	–	679
Foreign exchange movements and other adjustments	(45)	(2)	–	–	(47)
Amortisation charge	(561)	–	–	–	(561)
Net book amount 30 June 2017	17,793	1,071	–	466	19,330
Additions	–	1,189	21	–	1,210
Acquisition of subsidiary	1,324	–	–	–	1,324
Foreign exchange movements and other adjustments	119	1	–	–	120
Transfers	1,117	(1,117)	–	–	–
Amortisation charge	(594)	–	–	–	(594)
Net book amount 30 June 2018	19,759	1,144	21	466	21,390

Concession assets

Concession assets represent the Group's rights to operate roads under Service Concession Arrangements. Service Concession Arrangements are accounted for in accordance with AASB Interpretation 12 *Service Concession Arrangements* (IFRIC 12), which establishes a framework for classification of the assets based on an intangible asset model and a financial asset model (bifurcated arrangements can also exist).

Intangible asset model

Concession assets that do not meet the criteria of the financial asset model are classified as intangible assets and are amortised on a straight-line basis over the term of the concession arrangement.

Transurban has the right to toll the concession assets for the concession period. Extensions to the concession period have been granted for a number of individual concessions as a result of road development projects and improvements. At the end of the concession period, all concession assets are returned to the respective Government. The remaining terms of the right to operate are reflected below:

	2018 Years	2017 Years
Melbourne – Victorian State Government	17	18
Sydney – New South Wales State Government	18 - 30	19 - 31
Brisbane – Queensland State Government and Brisbane City Council	33 - 47	34 - 48
North America – Commonwealth of Virginia and Ministère des Transports, de la Mobilité durable et de l'Électrification (MTMDET)	24 - 69	70

Assets under construction

Assets under construction include the construction of the West Gate Tunnel Project in Melbourne, the 395 Express Lanes in North America, the Logan Enhancement Project, and the Inner City Bypass Project in Brisbane. Construction costs relating to completed works are transferred to the concession asset upon final completion of the projects. In the current period this related to costs associated with the CityLink Tulla Widening Project in Melbourne, the 95 Express lanes South Extension in North America and Hills M2-NorthConnex Integration works in Sydney.

Key estimate

The Group makes certain judgements to recognise amounts spent on the construction of service concession arrangements as either an intangible asset or a financial asset. These judgements are based on the expected form of the consideration to be received for the construction work. As at 30 June 2018, although parliamentary approval of amendments to the CityLink concession deed in connection with the West Gate Tunnel Project had not yet been obtained, the Group anticipates the consideration for the West Gate Tunnel Project construction to be received in the form of the right to toll. Accordingly, the Group has recorded its West Gate Tunnel Project construction costs as an intangible asset as at 30 June 2018.

B16 Intangible assets and other intangible assets (continued)

Goodwill

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

Impairment testing of goodwill and other intangible 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. Goodwill is tested for impairment on an annual basis, regardless of whether an indicator of impairment exists.

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).

Where the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through profit or loss. The decrement in the carrying amount is recognised as an expense in profit or loss in the reporting period in which the impairment occurs.

The recoverable amount of the Group's cash generating units have been determined based on value-in-use calculations.

Key estimate

The Group makes certain assumptions in calculating the recoverable amount of its goodwill and other intangible assets. These include assumptions around expected traffic flows and forecast operational costs. In performing the value-in-use calculation, the Group has applied the assumptions noted in the below table. 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.

The following table sets out the key assumptions on which management has based its cash flow projections. The calculations use 3 year cash flow projections based on financial budgets reviewed by the Board. Cash flows beyond this period are modelled using a consistent set of long-term assumptions up to the end of the applicable concession period:

	Melbourne		Sydney		Brisbane		North America ¹	
	2018	2017	2018	2017	2018	2017	2018	2017
Long term CPI (% annual growth)	2.5%	2.5%	2.5%	2.5%	2.7%	2.7%	2.5%	2.5%
Long term average weekly earnings (% annual growth)	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.0%	3.0%
Pre-tax discount rate (%)	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%

1. A25 is not subject to impairment testing in FY18 given the acquisition was in the last month of the financial year and the provisional fair valuation performed at the time of acquisition. Refer to note B22.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Traffic volume	Based on historical trends and the Group's long term traffic forecasting models
Long term CPI (% annual growth)	Based on independent external forecasts
Long term average weekly earnings (% annual growth)	Based on independent external forecasts
Pre-tax discount rate	Discount rates consider specific risks relating to the CGU. In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post tax cash flows. The equivalent pre-tax discount rates are disclosed in the table above.

B17 Concession financial asset

The Group's financial assets relate only to A25 as of 30 June 2018.

		Concession financial assets
		\$M
Opening carrying value 1 July		–
Acquisition of subsidiary	B22	351
Additional finance income recognised	B13	2
Cash received		(2)
Foreign exchange movements and other adjustments		(2)
Closing carrying value		349
<i>Including:</i>		
Current asset	B8	26
Non-current asset		323
Total concession financial asset		349

Financial asset model

The financial asset model within IFRIC 12 applies to service concession arrangements whereby Transurban has an unconditional contractual right to receive cash or another financial asset as the consideration for the construction services provided to the grantor of the concession. The unconditional contractual right to receive cash or another financial asset arises under two scenarios:

- the respective Government authority guarantees to pay Transurban specified amounts throughout the term of the concession arrangement (such as availability payments) provided certain asset operating conditions are met; or
- the respective Government authority guarantees to pay Transurban any shortfall between amounts received from users of the asset and an amount specified within the concession agreement (guaranteed toll revenue arrangements).

For amounts received under these arrangements the traffic risk is not borne by Transurban. The portion of concession arrangements accounted for under the financial asset model in IFRIC 12 are presented as a financial receivable within the Group's consolidated balance sheet.

The fair value of the receivable is determined at the inception of the service concession arrangement based on the discounted present value of cash flows to be received over the concession life. A portion of the receivable is recognised with corresponding revenue recorded for construction services based on the progress of the construction services provided in each period.

Post completion of construction services, interest income is recorded to recognise the unwind of discounted future cash flows, also increasing the receivable balance. Amounts received from the respective Government authority are offset against the financial asset receivable.

The concession assets of the A25 asset in Canada are accounted for using a bifurcated model, being:

- Financial asset model for the income streams of an unconditional contractual right to receive cash from MTMDT, including the availability payments and the minimum guaranteed toll income; and
- Intangible asset model for the remaining income streams (see note B16 Intangible Assets).

B18 Maintenance provision

Movement in maintenance provision

	Current \$M	Non-current \$M
Carrying value at 1 July 2016	94	836
Additional provision recognised	–	103
Amounts paid/utilised	(78)	–
Unwinding of discount	–	38
Transfer	83	(83)
Foreign exchange movements	–	1
Carrying value at 30 June 2017	99	895
Additional provision recognised	–	88
Acquisition of subsidiary	2	18
Amounts paid/utilised	(95)	–
Unwinding of discount	–	55
Transfer	144	(144)
Foreign exchange movements	–	2
Carrying value at 30 June 2018	150	914

Key estimate

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. 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.

B19 Other liabilities – concession and promissory notes

	2018 \$M	2017 \$M
M1 Eastern Distributor concession note	40	40
M2 Motorway promissory note	50	38
Total	90	78

Key estimate

The Group has non-interest bearing long term debt, represented by promissory notes and concession notes payable to the Government, measured 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. A discount rate of 9.1% (2017: 12.0%) has been used for notes issued during the period, which recognises the subordinated nature of these notes. A lower discount rate has been used in the current financial year following a review of discount rates applicable for liabilities across the Group.

B19 Other liabilities—concession and promissory notes (continued)

M1 Eastern Distributor

The Eastern Distributor project deed between Airport Motorway Limited, Airport Motorway Trust and the New South Wales Roads and Maritime Services ('RMS') provides for annual concession fees of \$15 million during the construction phase and for the first 24 years after completion of construction 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.

The face value of concession notes on issue at 30 June 2018 is \$315 million (2017: \$300 million).

M2 Motorway

The Hills Motorway Trust has entered into leases with the RMS. Annual lease liabilities under these leases total \$12 million (2017: \$12 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.

The face value of promissory notes on issue at 30 June 2018 is \$204 million (2017: \$193 million).

Group structure

B20 Principles of consolidation

Subsidiaries

Subsidiaries are fully consolidated from the date the Group gains control of the subsidiary and are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements of the Group, all inter-entity transactions and balances have been eliminated. The accounting policies adopted by the individual entities comprising the Group are consistent with the parent company.

Non-controlling interests consist of two components:

- Non-controlling interest—other: external non-controlling interests relating to the results and equity of Transurban Queensland and Eastern Distributor subsidiaries are shown separately in the Group financial statements.
- Non-controlling interests that relate to THT and TIL are presented separately, and relate to equity holders of the stapled group.

Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control and relate to the Group's investments in Interlink M5, NorthWestern Roads Group (which holds the Westlink M7 and NorthConnex assets), and Bluedot.

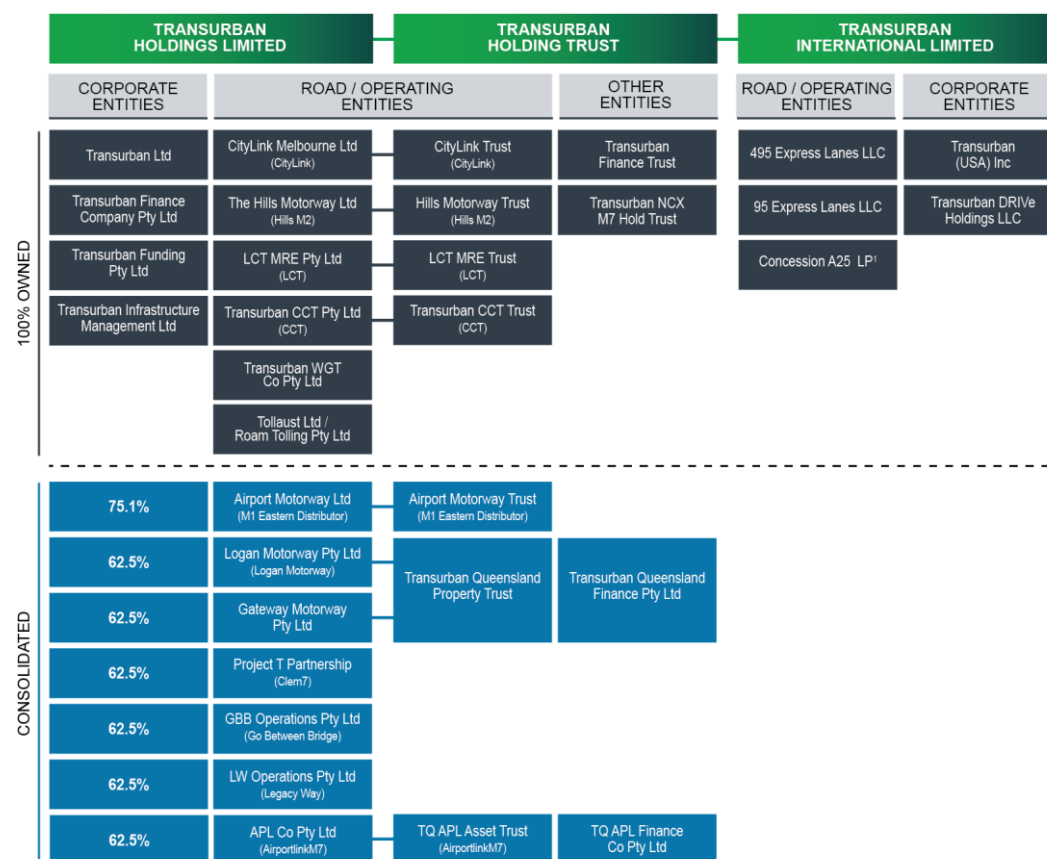
The Group's share of the post-acquisition profits or losses in associates is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's cumulative share of losses in an associate exceeds its investment in the asset, the Group does not recognise any further losses from this point. Dividends received from the assets listed above 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.

B21 Material subsidiaries

The Group's material subsidiaries are outlined in the Group structure diagram below.



1. Acquisition of A25 occurred on 5 June 2018.

B22 Business combinations

Accounting policy

Business combinations are accounted for using the acquisition method. 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 profit or loss 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 profit or loss.

B22 Business combinations (continued)

On 23 March 2018, the Group announced that Transurban had reached an agreement to acquire 100% of the entities that hold the A25 concession in Montreal, Canada. Financial Close on this acquisition was reached on 5 June 2018.

The A25 is a 7.2km toll road connecting Northern Montreal across the Rivière des Prairies to commercial and residential areas. It opened in May 2011 with a concession period to September 2042.

Purchase consideration and cash acquired

	\$M
Cash paid	869
Less: Cash acquired	(23)
Payment for business combination, net of cash	846

Acquisition-related costs

Total transaction costs on acquisition incurred to date are \$21 million. The total costs have been incurred in the current financial year. These acquisition costs are not included in the purchase consideration disclosed above. These costs are included in the Group's consolidated statement of comprehensive income for the year ended 30 June 2018 and are disclosed as a significant item (see note B6).

Identifiable assets acquired and liabilities assumed

The provisionally determined fair values of the assets and liabilities of A25 as at acquisition date are as follows:

	Provisional fair value \$M
Cash and cash equivalents	23
Trade and other receivables	16
Other assets	1
Concession asset - financial asset model	351
Concession asset - intangible asset model	1,324
Trade and other payables	(20)
Provisions	(29)
Borrowings	(387)
Derivative financial instruments	(92)
Deferred tax liabilities	(318)
Total identified assets acquired	869

At 5 June 2018 the assets and liabilities of the A25 entities were measured at fair value at the acquisition date with fair values having been determined on a provisional basis.

The provisional fair value of the concession assets is calculated by discounting future cashflows to be generated from A25.

The concession assets of the A25 are accounted for using a bifurcated model. The total provisional fair value is allocated to concession financial assets and concession intangible assets based on the sources of their attributable income:

- Concession financial asset: the attributable income is sourced from the concession grantor, MTMEDT. This includes both availability payments and guaranteed minimum toll income (GMTI). The performance obligation to earn this revenue is to keep the A25 open and operative; and
- Concession intangible asset: The attributable income is sourced from the toll road users. This represents the remaining income from A25, including toll income exceeding the GMTI threshold and other revenue. The amount is determined based on the public usage of A25.

Revenue and profit contribution

From the date of acquisition to 30 June 2018, revenue of \$4 million and a statutory loss after taxation of \$25 million was included in the profit or loss with regard to A25. Excluding significant items related to the acquisition, A25 contributed a net loss after taxation of \$4 million.

B22 Business combinations (continued)

If the acquisition had occurred on 1 July 2017, annualised revenue of \$49 million, a statutory loss after taxation of \$30 million and EBITDA before significant items of \$25 million would have been recognised for the year ended 30 June 2018. Excluding significant items related to the acquisition, the net loss after taxation would have been \$9 million. These amounts have been calculated using the subsidiaries' results and adjusting for one-off costs not related to the ongoing operations of the business.

B23 Equity accounted investments

Below is the reconciliation of the equity accounted carrying value of investments:

	NorthWestern Roads Group		M5 Motorway		Other		Total	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Opening carrying value 1 July	488	778	166	193	—	—	654	971
Acquisition	—	—	—	—	5	—	5	—
Group's share of net profits ¹	—	—	33	25	—	—	33	25
Group's recognised share of other comprehensive income	—	—	1	8	—	—	1	8
Dividends received	(141)	(290)	(78)	(60)	—	—	(219)	(350)
Closing carrying value	347	488	122	166	5	—	474	654
Cumulative losses not recognised ¹	450	530	—	—	—	—	450	530

1. The Group's share of profits from the investment in the NWRG are currently not recognised until such time as cumulative losses have been fully utilised. Cumulative losses not recognised above are disclosed at 100%.

Joint ventures

NorthWestern Roads Group (50% ownership interest)

The Group has a 50% ownership interest in the NorthWestern Roads Group, which holds 100% of the Westlink M7 Group and the NorthConnex Group. Westlink M7 holds the concession to design, construct, finance and operate the Westlink M7 Motorway in Sydney for a period of 43 years from the date of operation (16 December 2005) until June 2048, and NorthConnex holds the concession to design, construct, finance and operate the NorthConnex Tunnel in Sydney until 2048.

The following entities are a part of the Westlink Group:

- WSO Co Pty Limited (the operator of the Motorway).
- Westlink Motorway Limited (the nominee manager of the Westlink Motorway Partnership).
- WSO Finance Pty Limited (the financier of the Motorway).
- Westlink Motorway Partnership (was responsible for the construction of the Motorway).

The following entities are part of the NorthConnex Group:

- NorthConnex Company Pty Limited (the operator of the Motorway).
- NorthConnex Finance Company Pty Limited (the financier of the Motorway).
- NorthConnex State Works Contractor Pty Limited (responsible for the construction of the Motorway).

M5 Motorway (50% ownership interest)

Tolls are collected on the M5 in both directions, with four toll collection points. The concession for the M5 Motorway was extended to December 2026 following completion of the M5 widening. At the end of the concession, all concession assets will be returned to the NSW State Government.

B23 Equity accounted investments (continued)

Bluedot (20% ownership interest)

Bluedot Innovation is an advanced location services technology company. The Group leverages Bluedot's location services technology for the Group's LinktGo application which allows the use of a smartphone's GPS and other sensors to identify when a driver has entered and exited a toll road.

Summarised financial information of equity accounted investments

Set out below is the summarised financial information for those investments accounted for using the equity method. The summarised financial information presented below is on a 100 per cent basis for each equity accounted investment.

	NorthWestern Roads Group		M5 Motorway		Other		Total	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Summarised balance sheet – 100%								
Cash and cash equivalents	133	123	66	136	1	–	200	259
Other current assets	166	132	9	8	1	–	176	140
Non-current assets	3,202	3,151	344	383	–	–	3,546	3,534
Current liabilities	(565)	(488)	(158)	(155)	–	–	(723)	(643)
Non-current liabilities	(3,268)	(3,093)	(777)	(852)	–	–	(4,045)	(3,945)
Net (liabilities)/assets	(332)	(175)	(516)	(480)	2	–	(846)	(655)
Summarised statement of comprehensive income – 100%								
Revenue	442	401	302	282	1	–	745	683
Construction revenue	128	135	–	–	–	–	128	135
Depreciation and amortisation	(80)	(81)	(43)	(43)	–	–	(123)	(124)
Other expenses	(70)	(65)	(40)	(39)	(3)	–	(113)	(104)
Construction expenses	(128)	(135)	–	–	–	–	(128)	(135)
Interest expense	(212)	(196)	(41)	(45)	–	–	(253)	(241)
Income tax benefit/(expense)	–	2	(58)	(50)	–	–	(58)	(48)
Profit/(loss)	80	61	120	105	(2)	–	198	166
Other comprehensive income	10	58	1	16	–	–	11	74
Total comprehensive income	90	119	121	121	(2)	–	209	240

The following table reconciles the above summarised financial information presented on a 100 per cent basis to the proportional amounts recognised by the Group:

	50%	50%	50%	50%	20%	0%		
Ownership interest	50%	50%	50%	50%	20%	0%		
Proportional total comprehensive income	45	59	61	60	–	–	106	119
Amortisation of fair value uplift	–	–	(27)	(27)	–	–	(27)	(27)
Group's share of comprehensive income	45	59	34	33	–	–	79	92
Profits not recognised (excluding other comprehensive income)	(40)	(30)	–	–	–	–	(40)	(30)
Group's recognised share of total comprehensive income	–	–	34	33	–	–	34	33
Group's share of dividends/distributions received	141	290	78	60	–	–	219	350

B24 Non-controlling interests—other

Set out below is summarised financial information for each material subsidiary (see note B21) that has non-controlling interests (NCI) that are material and external to the stapled Group and the total external non-controlling interest. The amounts disclosed are before inter-company eliminations.

	Transurban Queensland 37.5%		Airport Motorway 24.9%		Total non-controlling interests	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Summarised balance sheet						
Current assets	142	124	11	8	153	132
Non-current assets	9,019	8,933	1,642	1,701	10,661	10,634
Current liabilities	(278)	(195)	(230)	(215)	(508)	(410)
Non-current liabilities	(5,999)	(5,662)	(1,046)	(1,093)	(7,045)	(6,755)
Net assets	2,884	3,200	377	401	3,261	3,601
Carrying amount of NCI	1,081	1,201	94	100	1,175	1,309
Summarised statement of comprehensive income						
Revenue	632	619	147	136	779	755
Expenses	(702)	(718)	(108)	(107)	(810)	(825)
(Loss)/profit for the year	(70)	(99)	39	29	(31)	(70)
Other comprehensive income (OCI)	(80)	20	6	7	(74)	27
Total comprehensive income	(150)	(79)	45	36	(105)	(43)
(Loss)/profit allocated to NCI	(27)	(37)	10	7	(17)	(30)
OCI allocated to NCI	(31)	7	2	2	(29)	9
Summarised cash flows						
Cash flows from operating activities	155	33	80	71	235	104
Cash flows from investing activities	(188)	(74)	—	—	(188)	(74)
Cash flows from financing activities	35	(81)	(79)	(73)	(44)	(154)
Net (decreases)/increases in cash and cash equivalents	2	(122)	1	(2)	3	(124)

B25 Deed of cross and intra-group guarantees

Deed of cross guarantee

Transurban Holdings Limited, Transurban Limited, Tollast Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, Statewide Roads Limited, M4 Holdings No. 1 Pty Limited, M5 Holdings Pty Limited and Devome 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 Instrument 2016/785 issued by the Australian Securities and Investments Commission. The companies represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by THL, they also represent the 'extended closed group'.

Set out on the next page is the summary financial information of the closed group:

B25 Deed of cross and intra-group guarantees (continued)

	2018 \$M	2017 \$M
Summarised statement of comprehensive income		
Revenue	535	425
Operating costs	(273)	(245)
Depreciation and amortisation expense	(83)	(58)
Net finance costs	(78)	(101)
Profit before income tax	101	21
Income tax benefit	57	69
Profit for the year	158	90
Total comprehensive income for the year	158	90
Summarised movements in retained earnings		
Accumulated losses at the beginning of the year	(457)	(403)
Profit for the year	158	90
Dividends provided for or paid	(107)	(144)
Retained earnings at the end of the year	(406)	(457)
Summarised balance sheet		
Current assets		
Cash and cash equivalents	388	374
Trade and other receivables	3,996	2,941
Total current assets	4,384	3,315
Non-current assets		
Other financial assets	2,539	2,187
Property, plant and equipment	326	296
Intangible assets	21	81
Deferred tax assets	385	454
Total non-current assets	3,271	3,018
Total assets	7,655	6,333
Current liabilities		
Trade and other payables	5,887	4,918
Provisions	93	103
Total current liabilities	5,980	5,021
Non-current liabilities		
Payables	304	299
Deferred tax liabilities	19	11
Provisions	11	8
Total non-current liabilities	334	318
Total liabilities	6,314	5,339
Net assets	1,341	994
Equity		
Contributed equity	1,746	1,450
Other reserves	1	1
Retained earnings	(406)	(457)
Total equity	1,341	994

Intra-group guarantees

As at 30 June 2018, 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 is able to provide direct and/or indirect support to each other entity and its controlled entities within the Group on a continual basis.

Items not recognised

B26 Contingencies

Contingent liabilities

Contingent consideration

As a result of the acquisition of the concession assets noted below, the Group may be required to make further payments to the respective vendors in the event that the traffic and toll revenue performance of the relevant asset exceeds certain criteria. The contingent consideration is recorded at the end of each reporting period at its fair value based upon the same traffic and revenue assumptions as outlined in note B16. The following table details the current carrying value of the contingent consideration recognised within 'Other provisions' in the consolidated balance sheet, the maximum nominal value that could be paid under each contract and the date at which the contingent consideration is assessed and becomes payable:

	Carrying value \$M	Maximum consideration payable \$M	Assessment / payment date
Legacy Way Tunnel	122	Unlimited ¹	Jun 2020
Go-Between Bridge	2	Unlimited ¹	Jun 2018 ²

1. The maximum consideration payable will reflect a portion of the cumulative outperformance of the concession asset as compared against an internal rate of return agreed between Transurban Queensland and the Brisbane City Council.

2. Contingent consideration payable for the Go-Between Bridge has not been paid at reporting date.

Cross City Tunnel

On 31 December 2017, in conjunction with the purchase of the senior secured debt of the Cross City Tunnel Group in December 2013, the Group's four year contingent payment period to the Deutsche Bank for material Cross City Tunnel Group traffic outperformance, relative to Transurban's base case assumptions, expired. No amounts were payable for traffic outperformance in the four year period.

Parent entity

The parent entity does not have any contingent liabilities at reporting date (2017: nil).

Equity accounted investments

The equity accounted investments of the Group do not have any contingent liabilities at reporting date (2017: nil).

B27 Commitments

	Capital commitments		Operating lease commitments	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Within one year	1,615	514	11	6
Later than one year but not later than five years	1,907	168	50	22
Later than five years	—	—	90	14
	3,522	682	151	42

Share of commitments for equity accounted investments

	NorthWestern Roads Group 50%		M5 Motorway 50%		Total	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Capital commitments	487	859	—	1	487	860
	487	859	—	1	487	860

B28 Subsequent events

Other than as disclosed elsewhere in this report, there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or Group's state of affairs, in the future years.

Other

B29 Related party transactions

	Joint ventures	
	2018 \$'000	2017 \$'000
Transactions with related parties		
Revenue from services	28,523	24,369
Interest income	59,955	42,490
Outstanding balances with related parties		
<i>Held-to-maturity investments</i>		
M5 debt notes	70,000	70,000
NorthConnex shareholder loan notes	735,501	516,069
	805,501	586,069

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

Transactions with related parties

Revenue for services

Revenue relates to tolling services provided to related parties.

Interest income

Interest income relates to interest earned on held to maturity investments as noted below.

Held to maturity investments

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 in 2022 of the M5 West Widening Project. The interest rate charged on these notes is currently fixed at 5.0%.

NorthConnex shareholder loan notes

The Shareholder loan notes ('SLNs') earn interest at a fixed rate of 9.0% until the final day of the NorthConnex concession period. Any unpaid interest is capitalised and deemed to subscribe for further loan notes with an aggregate principal amount equal to that unpaid interest.

The SLNs are classified as a held-to-maturity receivable. They are not classified as an investment for equity accounting purposes, and therefore have not been affected by equity accounting losses from the associate. All SLNs are denominated in Australian currency.

B30 Key management personnel compensation

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

	2018 \$	2017 \$
Short-term employee benefits	14,728,496	12,988,993
Post-employment benefits	335,659	315,264
Long-term benefits	271,063	155,992
Share-based payments	5,499,017	5,343,402
Deferred short term incentives	3,357,335	3,266,154
	24,191,570	22,069,805

Detailed remuneration disclosures including the key management personnel are made in the remuneration report in the Directors' report.

B31 Remuneration of auditors

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

Amounts received or due and receivable by PricewaterhouseCoopers

	2018 \$	2017 \$
Audit and other assurance services		
Audit and review of financial reports	3,177,283	2,237,470
Other assurance services	713,000	725,730
	3,890,283	2,963,200
Other consulting services		
	500,000	–
Total remuneration for PricewaterhouseCoopers	4,390,283	2,963,200
Total auditors remuneration	4,390,283	2,963,200

B32 Parent entity disclosures

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

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the parent entity 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

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.

Summary financial information

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

	2018 \$M	2017 \$M
Balance sheet		
Current assets	3,442	3,083
Total assets	7,175	6,262
Current liabilities	1,830	760
Total liabilities	5,046	4,546
Net assets	2,129	1,716
<i>Shareholders' equity</i>		
Contributed equity	1,746	1,450
Reserves	2	2
Retained earnings	381	264
Total equity	2,129	1,716
Profit for the year	223	113
Total comprehensive income	223	113

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, M4 Holdings No 1 Pty Limited, M5 Holdings Pty Limited and Devome Pty Limited as described in note B25.

Section C: Transurban Holding Trust ('THT') and Transurban International Limited ('TIL') financial statements

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

Section D: Notes to the THT and TIL financial statements

Basis of preparation and significant changes	D1 Introduction	D2 Trust formation and termination		
Operating performance	D3 Segment information	D4 Revenue	D5 Income tax	
Security holder outcomes	D6 Distributions	D7 Earnings per stapled security		
Capital and borrowings	D8 Reserves	D9 Net finance income / costs	D10 Borrowings	D11 Derivatives and financial risk management
Network summary	D12 Intangible assets	D13 Concession financial asset	D14 Other liabilities – concession and promissory notes	
Group structure	D15 Equity accounted investments	D16 Non-controlling interests		
Other	D17 Related party transactions	D18 Parent entity financial information		

Transurban Holding Trust and Transurban International Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2018

	Note	Transurban Holding Trust		Transurban International Limited	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Revenue	D4	901	764	322	233
Expenses					
Employee benefits expense		—	—	(18)	(20)
Road operating costs		(4)	(2)	(61)	(63)
Construction costs		(199)	(87)	(100)	(24)
Transaction and integration costs		—	—	(21)	—
Corporate and other expenses		(3)	(2)	(15)	(14)
Total expenses		(206)	(91)	(215)	(121)
Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income tax		695	673	107	112
Depreciation and amortisation expense		(310)	(310)	(42)	(40)
Net finance income/(costs)	D9	272	(161)	(175)	(164)
Share of net profits of equity accounted investments	D15	22	—	—	—
Profit/(loss) before income tax		679	202	(110)	(92)
Income tax benefit		—	—	98	41
Profit/(loss) for the year		679	202	(12)	(51)
<i>Profit/(loss) is attributable to:</i>					
Ordinary security holders of TIL		—	—	(12)	(51)
Ordinary unit holders of THT		672	207	—	—
Non-controlling interests	D16	7	(5)	—	—
		679	202	(12)	(51)
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Changes in the fair value of cash flow hedges, net of tax		(74)	56	2	16
Share of other comprehensive income from equity accounted investments, net of tax	D15	5	—	—	—
Exchange differences on translation of North American operations, net of tax		—	—	(25)	20
Movement in share-based payments reserve		1	1	—	—
Other comprehensive (loss)/income for the year, net of tax		(68)	57	(23)	36
Total comprehensive income/(loss) for the year		611	259	(35)	(15)
<i>Total comprehensive income/(loss) for the year is attributable to:</i>					
Ordinary security holders of TIL		—	—	(35)	(15)
Ordinary unit holders of THT		633	255	—	—
Non-controlling interests		(22)	4	—	—
		611	259	(35)	(15)
		Cents	Cents	Cents	Cents
Earnings per security attributable to ordinary security holders of the group:					
Basic and diluted earnings/(loss) per security	D7	31.5	10.1	(0.6)	(2.5)

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

Transurban Holding Trust and Transurban International Limited
Consolidated balance sheet
as at 30 June 2018

Note	Transurban Holding Trust		Transurban International Limited	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
ASSETS				
Current assets				
Cash and cash equivalents	113	102	346	167
Loans to related parties	884	1,923	–	–
Trade and other receivables	5	2	55	20
Concession notes	100	–	–	–
Held-to-maturity investments	–	–	226	157
Total current assets	1,102	2,027	627	344
Non-current assets				
Equity accounted investments	D15 364	478	5	–
Derivative financial instruments	D11 19	8	–	–
Related party receivables	10,410	7,452	–	–
Concession notes	965	946	–	–
Concession financial asset	–	–	323	–
Property, plant and equipment	–	–	28	12
Deferred tax assets	D5 66	34	271	363
Intangible assets	D12 9,601	9,700	4,068	2,547
Total non-current assets	21,425	18,618	4,695	2,922
Total assets	22,527	20,645	5,322	3,266
LIABILITIES				
Current liabilities				
Related party payables	632	640	1,644	1,591
Trade and other payables	73	55	56	48
Borrowings	D10 20	405	3	12
Maintenance provision	–	–	6	1
Distribution payable	D6 615	522	–	–
Derivative financial instruments	D11 –	1	–	–
Other liabilities	97	67	21	6
Total current liabilities	1,437	1,690	1,730	1,658
Non-current liabilities				
Maintenance provision	–	–	113	66
Deferred tax liabilities	D5 –	–	401	266
Related party payables	5,567	5,162	890	–
Borrowings	D10 6,361	5,648	2,591	1,780
Derivative financial instruments	D11 160	132	140	59
Other liabilities	52	81	2	1
Total non-current liabilities	12,140	11,023	4,137	2,172
Total liabilities	13,577	12,713	5,867	3,830
Net assets/(liabilities)	8,950	7,932	(545)	(564)
EQUITY				
Contributed equity	–	–	363	309
Issued units	12,243	10,665	–	–
Reserves	D8 (83)	(44)	(163)	(140)
Accumulated losses	(4,255)	(3,836)	(745)	(733)
Non-controlling interests	D16 1,045	1,147	–	–
Total equity	8,950	7,932	(545)	(564)

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

Transurban Holding Trust and Transurban International Limited
Consolidated statement of changes in equity
for the year ended 30 June 2018

THT

THT	Attributable to security holders of Transurban Holding Trust					Total equity \$M
	No. of units M	Issued units \$M	Reserves \$M	Accumulated losses \$M	Non- controlling interests \$M	
Balance at 1 July 2016	2,036	10,520	(92)	(3,132)	1,228	8,524
Comprehensive income						
Profit for the year	—	—	—	207	(5)	202
Other comprehensive income	—	—	48	—	9	57
Total comprehensive income	—	—	48	207	4	259
Employee share awards issued	1	3	—	—	—	3
Distributions	—	—	—	(911)	—	(911)
Distribution reinvestment plan	15	142	—	—	—	142
Distributions to NCI	—	—	—	—	(85)	(85)
	16	145	—	(911)	(85)	(851)
Balance at 30 June 2017	2,052	10,665	(44)	(3,836)	1,147	7,932
Comprehensive income						
Profit for the year	—	—	—	672	7	679
Other comprehensive income	—	—	(39)	—	(29)	(68)
Total comprehensive income	—	—	(39)	672	(22)	611
Contributions of equity, net of transaction costs ¹	167	1,528	—	—	—	1,528
Employee share awards issued	1	5	—	—	—	5
Distributions	—	—	—	(1,091)	—	(1,091)
Distribution reinvestment plan	5	45	—	—	—	45
Distributions to NCI	—	—	—	—	(80)	(80)
	173	1,578	—	(1,091)	(80)	407
Balance at 30 June 2018	2,225	12,243	(83)	(4,255)	1,045	8,950

TIL

TIL	Attributable to security holders of Transurban International Limited				
	No. of securities M	Contributed equity \$M	Reserves \$M	Accumulated losses \$M	Total equity \$M
Balance at 1 July 2016	2,036	302	(176)	(682)	(556)
Comprehensive income					
Loss for the year	—	—	—	(51)	(51)
Other comprehensive income	—	—	36	—	36
Total comprehensive income	—	—	36	(51)	(15)
Employee share awards issued	1	—	—	—	—
Distribution reinvestment plan	15	7	—	—	7
	16	7	—	—	7
Balance at 30 June 2017	2,052	309	(140)	(733)	(564)
Comprehensive income					
Loss for the year	—	—	—	(12)	(12)
Other comprehensive income	—	—	(23)	—	(23)
Total comprehensive income	—	—	(23)	(12)	(35)
Contributions of equity, net of transaction costs ¹	167	52	—	—	52
Employee share awards issued	1	—	—	—	—
Distribution reinvestment plan	5	2	—	—	2
	173	54	—	—	54
Balance at 30 June 2018	2,225	363	(163)	(745)	(545)

1. On 30 January 2018, the Group successfully completed its pro-rata renounceable 3 for 37 entitlement offer. Refer to the Group Consolidated statement of changes in equity for further information.

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

Transurban Holding Trust and Transurban International Limited
Consolidated statement of cash flows
for the year ended 30 June 2018

Note	Transurban Holding Trust		Transurban International Limited	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Cash flows from operating activities				
Receipts from customers	701	685	223	207
Payments to suppliers	(41)	(38)	(72)	(70)
Payments for maintenance of intangibles	—	—	(3)	(1)
Transaction costs related to acquisitions	—	(95)	(20)	—
Interest received	265	246	3	1
Interest paid	(558)	(599)	(47)	(33)
Net cash inflow/(outflow) from operating activities	367	199	84	104
Cash flows from investing activities				
Payments for acquisition of subsidiary (net of cash acquired)	—	—	(846)	—
Payments for equity accounted investments	—	—	(5)	—
Payments for property, plant and equipment	—	—	(15)	(9)
Payments for intangible assets	(209)	(81)	(128)	(31)
Payments for held-to-maturity investments, net of fees	—	—	(55)	(162)
Receipts from concession notes	239	—	—	—
Distributions received from equity accounted investments	141	290	—	—
Net cash inflow/(outflow) from investing activities	171	209	(1,049)	(202)
Cash flows from financing activities				
Loans (to)/from related parties	(2,885)	(1,859)	896	38
Repayment of loans from/(to) related parties	1,640	1,796	(82)	(11)
Proceeds from issue of securities (net of costs)	1,528	—	52	—
Proceeds from borrowings (net of costs)	2,714	1,759	301	—
Repayment of borrowings	(2,491)	(1,454)	(30)	(2)
Distributions paid to Transurban Group's security holders	(951)	(693)	—	—
Distributions paid to non-controlling interests in subsidiaries	(82)	(84)	—	—
Net cash (outflow)/inflow from financing activities	(527)	(535)	1,137	25
Net (decrease)/increase in cash and cash equivalents	11	(127)	172	(73)
Cash and cash equivalents at the beginning of the year	102	229	167	245
Effects of exchange rate changes on cash and cash equivalents	—	—	7	(5)
Cash and cash equivalents at end of year	113	102	346	167

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	THT		TIL	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Profit/(loss) for the year	679	202	(12)	(51)
Depreciation and amortisation	310	310	42	40
Non-cash net finance costs	13	23	114	63
Non-cash net income on concession notes	(347)	15	—	—
Share of profit from equity accounted investments	(22)	—	—	—
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	(1)	—	4	—
(Decrease)/increase in related party operating loans	(267)	(276)	(2)	67
(Decrease)/Increase in trade creditors and accruals	3	(87)	(6)	2
Increase/(decrease) in other operating provisions	—	—	17	2
Increase/(decrease) in deferred and current taxes	—	—	(98)	(41)
Increase/(decrease) in maintenance provision	—	—	28	22
Increase/(decrease) in other liabilities	(1)	12	(3)	—
Net cash inflow/(outflow) from operating activities	367	199	84	104

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

Transurban Holding Trust and Transurban International Limited
Consolidated statement of cash flows
for the year ended 30 June 2018

(b) Reconciliation of liabilities arising from financing activities

THT

	Borrowings current \$M	Borrowings non-current \$M	Debt principal related derivatives (included in assets / liabilities) ¹ \$M	Total debt related financial instruments \$M	Net related party receivables \$M
Balance at 1 July 2017	405	5,648	(204)	5,849	(3,573)
Proceeds from borrowings (net of costs)	–	2,714	–	2,714	–
Repayment of borrowings	(405)	(2,086)	–	(2,491)	–
Proceeds from loans to/(from) related parties	–	–	–	–	(2,885)
Repayment of loans (from)/to related parties	–	–	–	–	1,640
Capitalised premiums and discounts included in operating cash flows	–	(5)	–	(5)	–
Total cash flows	(405)	623	–	218	(1,245)
<i>Non-Cash Changes</i>					
Transfer	20	(20)	–	–	–
Capitalised Interest	–	–	–	–	(258)
Amortisation of borrowing costs	–	19	–	19	–
Intercompany non-cash settlements	–	–	–	–	(16)
Foreign exchange movements	–	91	(17)	74	(3)
Total non-cash changes	20	90	(17)	93	(277)
Balance at 30 June 2018	20	6,361	(221)	6,160	(5,095)

1. Total derivatives balance at 30 June 2018 is a liability of \$141 million (FY17: \$124 million liability). The difference in carrying value to the table above relates to interest rate swap contracts, forward exchange contracts, the interest portion of cross-currency interest rate swap contracts and credit valuation and debit valuation adjustments which are excluded from the balances above.

TIL

	Borrowings current \$M	Borrowings non-current \$M	Total borrowings \$M	Net related party payables \$M
Balance at 1 July 2017	12	1,780	1,792	1,591
Proceeds from borrowings (net of costs)	–	301	301	896
Repayment of borrowings	(12)	(18)	(30)	(82)
Capitalised premiums and discounts included in operating and investing cash flows	–	23	23	–
Total cash flows	(12)	306	294	814
<i>Non-Cash Changes</i>				
Acquisition	3	384	387	–
Capitalised interest	–	27	27	68
Amortisation of borrowing costs	–	9	9	–
Foreign exchange movements	–	85	85	61
Total non-cash changes	3	505	508	129
Balance at 30 June 2018	3	2,591	2,594	2,534

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

Basis of preparation and significant changes

D1 Introduction

The Transurban Holding Trust Group consists of Transurban Holding Trust ('THT') and the entities it controls ('THT Group') and the Transurban International Limited Group consists of Transurban International Limited ('TIL') and the entities it controls ('TIL Group'). THT and TIL form part of the stapled Transurban Group.

THT is registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001, and as a result requires a responsible entity. The responsible entity of the THT is Transurban Infrastructure Management Limited ('TIML'). TIML is the responsible entity of the Trust and is responsible for performing all functions that are required under the Corporations Act 2001 of a responsible entity.

THT is a Trust registered and domiciled in Australia.

TIL is a public company limited by shares and incorporated in Australia.

Going concern

THT's current liabilities exceed its current assets by \$335 million as at 30 June 2018. This is primarily attributable to \$632 million of loans payable to another entity within the Transurban Group. Excluding this loan, the THT Group has net current assets of \$297 million.

TIL's current liabilities exceed its current assets by \$1,103 million as at 30 June 2018. This is primarily attributable to \$1,644 million of loans payable to another entity within the Transurban Group. Excluding this loan, the TIL Group has net current assets of \$541 million.

Under the stapling arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Transurban Group.

The financial reports have been prepared on a going concern basis, which assumes the continuity of normal operations.

D2 Trust formation and termination

The Transurban Holding Trust was established on 15 November 2001 and has no termination date. The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 28 November 2001.

Operating performance

D3 Segment information

Refer to note B4 for further information around the structure of the segments for the Transurban Group.

THT operating segments

Management has determined that THT has one operating segment.

THT operations involve the leasing of assets and the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of the Trust are based on this one operating segment.

TIL operating segments

Management has determined that TIL has one operating segment.

TIL operations involve the development, operation and maintenance of toll roads in North America. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of TIL are based on this one operating segment.

Reconciliation of segment information to statutory financial information

Segment information for TIL as disclosed in the Transurban Group segment note at B4 is reconciled to the TIL statutory financial information below.

Segment revenue

Revenue from external customers is through toll and service and fee revenues earned on toll roads. There are no inter-segment revenues within the North America segment. Segment revenue reconciles to total statutory revenue as follows:

Total segment revenue (proportional)

Add:

Construction revenue from road development activities

Toll revenue on A25 concession financial asset recognised as financial income

Other revenue on A25 concession financial asset recognised as financial income

Total revenue

TIL	
2018 \$M	2017 \$M
224	209
100	24
(1)	–
(1)	–
322	233

Reconciliation of proportional EBITDA to statutory profit for the year

Proportional EBITDA reconciles to statutory net profit as follows:

Proportional EBITDA

Add:

EBITDA attributable to TIL corporate activities (disclosed in corporate and other)

Toll and other revenue on A25 concession financial asset recognised as financial income

Statutory earnings before depreciation and amortisation, net finance costs, equity accounted investments and tax

Statutory depreciation and amortisation

Statutory net finance costs

Loss before tax for the year from continuing operations

TIL	
2018 \$M	2017 \$M
109	116
–	(4)
(2)	–
107	112
(42)	(40)
(175)	(164)
(110)	(92)

Transurban Holding Trust and Transurban International Limited
Notes to the THT and TIL financial statements
for the year ended 30 June 2018

D4 Revenue

	THT		TIL	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Toll revenue	–	–	222	209
Rental income	667	649	–	–
Construction revenue	199	87	100	24
Other revenue	1	–	–	–
Concession fees	34	28	–	–
Total revenue	901	764	322	233

Revenue type	Recognition
<i>Rental income</i>	Rental income is derived from property held by THT and is recognised in profit and loss in accordance with the lease contract.
<i>Concession fees</i>	Other income from concession fees relates to the CityLink concession notes. Pursuant to the Agreement for the Melbourne CityLink Concession Deed (the Concession Deed), CityLink Melbourne Limited ('CityLink') (a member of the Transurban Group), is required to pay annual concession fees for the duration of CityLink's concession period. Until a certain threshold rate of return on the project is achieved, the payment of concession fees due under the Concession Deed can be satisfied by means of non-interest bearing concession notes. Following agreements reached with the State of Victoria (the State), the Group paid a total of \$765 million to the State to have all current concession notes issued by the State assigned to Transurban Holding Trust, and the State directed CityLink to pay future concession notes to Transurban Holding Trust. Accordingly, CityLink continues to issue notes semi-annually to Transurban Holding Trust, and Transurban Holding Trust recognises concession note income from the issue of these notes, at the present value of expected future repayments.

D5 Income tax

Deferred tax assets and liabilities—TIL

	Asset		Liability	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
The balance comprises temporary difference attributable to:				
Accrued expenses	2	7	–	–
Provisions	40	31	–	–
Current and prior year losses	341	301	–	–
Fixed assets/intangibles	26	38	(597)	(321)
Derivatives and foreign exchange	58	41	–	–
Tax assets/(liabilities)	467	418	(597)	(321)
Set off of tax	(196)	(55)	196	55
Net tax assets/(liabilities)	271	363	(401)	(266)
Movements:				
Opening balance at 1 July	418	364	(321)	(294)
Credited/(charged) to the statement of comprehensive income	121	23	(15)	(32)
Change to US tax legislation credited/(charged) to the statement of comprehensive income	(137)	–	111	–
Credited /(charged) to equity	(14)	(11)	–	–
Foreign exchange movements	25	(21)	(21)	11
Acquired	40	–	(358)	–
Transfer from deferred tax assets/liabilities	(6)	6	6	(6)
Current year losses recognised	18	50	–	–
Other	2	7	1	–
Closing balance 30 June	467	418	(597)	(321)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	467	418	(597)	(321)

Security holder outcomes

D6 Distributions

Refer to note B10 of the THL financial statements for the dividends/distributions paid and payable by the Group.

Movements in distribution provision—THT

	Distribution to security holders \$M	Distributions to non-controlling interest in subsidiaries \$M	Total \$M
Balance at 1 July 2016	396	49	445
Additional provision recognised	911	85	996
Amounts paid	(693)	(84)	(777)
Amounts reinvested	(142)	—	(142)
Balance at 30 June 2017	472	50	522
Additional provision recognised	1,091	80	1,171
Amounts paid	(951)	(82)	(1,033)
Amounts reinvested	(45)	—	(45)
Balance at 30 June 2018	567	48	615

D7 Earnings per stapled security

	THT		TIL	
	2018	2017	2018	2017
Profit/(loss) attributable to ordinary security holders (\$M)	672	207	(12)	(51)
Weighted average number of securities (M)	2,138	2,046	2,138	2,046
Basic and diluted earnings per security attributable to the ordinary security holders (Cents)	31.5	10.1	(0.6)	(2.5)

Capital and borrowings

D8 Reserves

Refer to note B12 for a description of the nature and purpose of each reserve.

THT	Cash flow hedges \$M	Share-based payments \$M	Total \$M
Balance 1 July 2016	(98)	6	(92)
Revaluation - gross	53	1	54
Deferred tax	(6)	–	(6)
Balance 30 June 2017	(51)	7	(44)
Revaluation - gross	(66)	1	(65)
Deferred tax	21	–	21
Share of other comprehensive income of equity accounted investments, net of tax	5	–	5
Balance 30 June 2018	(91)	8	(83)

TIL	Cash flow hedges \$M	Foreign currency translation \$M	Transactions with non- controlling interests \$M	Total \$M
Balance 1 July 2016	(16)	(102)	(58)	(176)
Revaluation – gross	27	–	–	27
Deferred tax	(11)	–	–	(11)
Currency translation differences	–	20	–	20
Balance 30 June 2017	–	(82)	(58)	(140)
Revaluation - gross	13	–	–	13
Deferred tax	(11)	(3)	–	(14)
Currency translation differences	–	(22)	–	(22)
Balance 30 June 2018	2	(107)	(58)	(163)

D9 Net finance income / (costs)

	THT		TIL	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Finance income				
Interest income from related parties	595	520	–	–
Other interest income	1	2	3	–
Income from concession financial asset	–	–	2	–
Net foreign exchange gains	3	–	–	3
Re-measurement of concession notes receivable	324	–	–	–
Total finance income	923	522	5	3
Finance costs				
Interest and finance charges paid/payable	(641)	(635)	(170)	(167)
Unwind of discount on liabilities – other liabilities	(2)	(3)	–	–
Unwind of discount on liabilities – promissory note	(8)	(2)	–	–
Unwind of discount on liabilities – maintenance provision	–	–	(8)	–
Net foreign exchange losses	–	(2)	(2)	–
Re-measurement of concession notes receivable	–	(41)	–	–
Total finance costs	(651)	(683)	(180)	(167)
Net finance income / (costs)	272	(161)	(175)	(164)

Re-measurement of concession notes

Re-measurement of concession notes represents the discount unwinding over the passage of time on these notes and the change in the payment profile of the concession notes.

Transurban Holding Trust and Transurban International Limited
Notes to the THT and TIL financial statements
for the year ended 30 June 2018

D10 Borrowings

Refer to note B14 for a description of each facility type.

	THT		TIL	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Current				
TIFIA	–	–	–	12
Term debt	20	405	3	–
	20	405	3	12
Non-current				
Capital markets debt	2,395	1,452	965	604
U.S. private placement	1,726	1,669	–	–
Term debt	2,240	2,527	383	–
TIFIA	–	–	1,243	1,176
	6,361	5,648	2,591	1,780
Total borrowings	6,381	6,053	2,594	1,792

D11 Derivative and financial risk management

The instruments used by the Group are described in note B15.

	2018 \$M				2017 \$M			
	Current		Non-current		Current		Non-current	
	THT	TIL	THT	TIL	THT	TIL	THT	TIL
Assets								
Interest rate swap contracts – cash flow hedges	–	–	5	–	–	–	8	–
Cross currency interest rate swap contracts – cash flow hedges	–	–	14	–	–	–	–	–
	–	–	19	–	–	–	8	–
Liabilities								
Interest rate swap contracts – cash flow hedges	–	–	16	140	1	–	25	59
Cross currency interest rate swap contracts – cash flow hedges	–	–	144	–	–	–	107	–
	–	–	160	140	1	–	132	59

Market risk

Foreign exchange risk

Exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises, was as follows:

	THT				TIL			
	2018 USD \$M	2017 USD \$M	2018 CHF \$M	2017 CHF \$M	2018 AUD \$M	2017 AUD \$M	2018 CAD \$M	2017 CAD \$M
Net investment in foreign operation	–	–	–	–	–	–	348	–
Receivables	1,146	1,216	–	–	–	1	–	–
Payables	(1,095)	(1,165)	–	–	(6)	(6)	(348)	–
Borrowings	(1,574)	(1,074)	(575)	(375)	–	–	–	–
Cross-currency interest rate swaps	1,574	1,074	575	375	–	–	–	–
Net exposure	51	51	–	–	(6)	(5)	–	–

D11 Derivative and financial risk management (continued)

Sensitivity

THT

	Movement in post-tax profit		Increase / (decrease) in equity	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
AUD/USD				
+ 10 cents	(8)	(8)	(21)	(28)
- 10 cents	11	10	28	40
AUD/CHF				
+ 10 cents	—	—	(18)	(15)
- 10 cents	—	—	32	27

TIL's profit and equity are not materially impacted by movements in foreign exchange.

Interest rate risk

THT and TIL are not materially impacted by movements in interest rates. As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2018 \$M		2017 \$M	
	THT	TIL	THT	TIL
Cash and cash equivalents	113	346	102	167
Floating rate borrowings	(2,388)	(689)	(3,065)	(292)
Interest rate swaps (notional principal amount)	2,042	689	2,988	292
Net exposure to interest rate risk	(233)	346	25	167

Liquidity risk

Contractual maturities of financial liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period. For further information refer to note B15.

Transurban Holding Trust and Transurban International Limited
Notes to the THT and TIL financial statements
for the year ended 30 June 2018

D11 Derivative and financial risk management (continued)

THT

2018 \$M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	73	—	—	—	—	—	73	73
Borrowings	209	1,208	668	587	875	4,688	8,235	6,381
Related party loans	935	495	1,259	462	201	4,800	8,152	6,199
Interest rate swaps	9	6	3	1	—	(8)	11	11
Cross-currency swaps	48	48	48	48	10	(100)	102	130
Concession and promissory notes	—	—	—	—	—	204	204	50
Other liabilities	47	—	—	—	—	—	47	47
Total	1,321	1,757	1,978	1,098	1,086	9,584	16,824	12,891

2017 \$M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	55	—	—	—	—	—	55	55
Borrowings	581	893	879	1,085	368	4,056	7,862	6,053
Related party loans	912	733	454	1,202	412	3,916	7,629	5,802
Interest rate swaps	22	8	2	—	—	(15)	17	18
Cross-currency swaps	40	39	39	38	38	(118)	76	107
Concession and promissory notes	—	—	—	—	—	193	193	38
Other liabilities	14	47	—	—	—	—	61	56
Total	1,624	1,720	1,374	2,325	818	8,032	15,893	12,129

TIL

2018 \$M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	56	—	—	—	—	—	56	56
Borrowings	88	128	132	132	697	3,557	4,734	2,594
Related party loans	1,705	—	—	—	—	2,253	3,958	2,534
Interest rate swaps	16	13	13	13	101	29	185	140
Total	1,865	141	145	145	798	5,839	8,933	5,324

2017 \$M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
Trade payables	48	—	—	—	—	—	48	48
Borrowings	43	69	89	94	95	3,333	3,723	1,792
Related party loans	1,657	—	—	—	—	—	1,657	1,591
Interest rate swaps	9	8	8	7	7	39	78	59
Total	1,757	77	97	101	102	3,372	5,506	3,490

Network summary

Refer to the Network summary section of the Group financial statements for the intangible assets, concession note and promissory note accounting policies.

D12 Intangible assets

2018 \$M	Concession assets		Assets under construction		Total	
	THT	TIL	THT	TIL	THT	TIL
Cost	11,594	4,051	243	165	11,837	4,216
Accumulated amortisation	(2,236)	(148)	–	–	(2,236)	(148)
Net book amount	9,358	3,903	243	165	9,601	4,068

2017 \$M	Concession assets		Assets under construction		Total	
	THT	TIL	THT	TIL	THT	TIL
Cost	11,505	2,590	121	58	11,626	2,648
Accumulated amortisation	(1,926)	(101)	–	–	(1,926)	(101)
Net book amount	9,579	2,489	121	58	9,700	2,547

Movement in intangible assets

	Concession assets \$M		Assets under construction \$M		Total \$M	
	THT	TIL	THT	TIL	THT	TIL
Opening balance 1 July 2016	9,889	2,613	31	7	9,920	2,620
Additions	–	–	90	53	90	53
Foreign exchange movements and other adjustments	–	(90)	–	(2)	–	(92)
Amortisation charge	(310)	(34)	–	–	(310)	(34)
Net book amount 30 June 2017	9,579	2,489	121	58	9,700	2,547
Additions	–	–	203	137	203	137
Acquisition of subsidiary	–	1,324	–	–	–	1,324
Foreign exchange movements and other adjustments	–	97	–	5	–	102
Transfer	89	35	(81)	(35)	8	–
Amortisation charge	(310)	(42)	–	–	(310)	(42)
Net book amount 30 June 2018	9,358	3,903	243	165	9,601	4,068

D13 Concession financial asset

TIL's financial assets relate only to A25 as of 30 June 2018.

	Concession financial assets
	\$M
Financial asset model	
Opening carrying value 1 July	–
Acquisition of subsidiary	351
Additional finance income recognised	2
Cash received	(2)
Foreign exchange movements and other adjustments	(2)
Closing carrying value	349
<i>Including:</i>	
Current asset	26
Non-current asset	323
Total concession financial asset	349

D14 Other liabilities—concession and promissory notes

M2 Motorway

The face value of promissory notes on issue at 30 June 2018 is \$204 million (2017: \$193 million). The net present value at 30 June 2018 of the redemption payments relating to these promissory notes is \$50 million (2017: \$38 million).

Group structure

D15 Equity accounted investments

Set out below is the summarised financial information for the THT Group's investments accounted for using the equity method. The summarised financial information presented below is on a 100 per cent basis. Refer to note B23 for the details of the NorthWestern Roads Group.

	THT NorthWestern Roads Trust		TIL Other	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Summarised balance sheet – 100%				
Current assets	84	47	1	–
Non-current assets	2,312	2,436	1	–
Current liabilities	(29)	(37)	–	–
Non-current liabilities	(1,639)	(1,639)	–	–
Net assets	728	807	2	–
Summarised statement of comprehensive income – 100%				
Revenue	134	131	1	–
Depreciation and amortisation	(34)	(34)	–	–
Other expenses	(2)	(4)	(3)	–
Interest income	67	49	–	–
Income tax expense	(7)	(5)	–	–
Profit for the year	158	137	(2)	–
Other comprehensive income	10	58	–	–
Total comprehensive income	168	195	(2)	–

The following table reconciles the above summarised financial information presented on a 100 per cent basis to the proportional amounts recognised by the Group:

	50%	50%	20%	–
Ownership interest	50%	50%	20%	–
Proportional total comprehensive income	84	98	–	–
Profits not recognised	57	68	–	–
Group's share of comprehensive income	5	–	–	–

D15 Equity accounted investments (continued)

Reconciliation of summarised financial information

Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates.

	THT		TIL	
	NorthWestern Roads Trust 50%		Other 20%	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Opening carrying value 1 July	478	768	—	—
Acquisition	—	—	5	—
Group's share of net profits	22	—	—	—
Group's recognised share of other comprehensive income	5	—	—	—
Distributions received	(141)	(290)	—	—
Closing carrying value 30 June	364	478	5	—
				—
Cumulative losses not recognised	—	57	—	—

D16 Non-controlling interests

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

THT

	Transurban Queensland Trust 37.5%		Airport Motorway Trust 24.9%		Total	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Summarised balance sheet						
Current assets	246	196	21	21	267	217
Non-current assets	7,014	6,967	877	885	7,891	7,852
Current liabilities	(70)	(60)	(213)	(201)	(283)	(261)
Non-current liabilities	(4,524)	(4,163)	(504)	(530)	(5,028)	(4,693)
Net assets	2,666	2,940	181	175	2,847	3,115
Carrying amount of NCI	1,000	1,103	45	44	1,045	1,147
Summarised statement of comprehensive income						
Revenue	335	326	102	109	437	435
(Loss)/profit for the year	(27)	(63)	69	76	42	13
Other comprehensive (loss)/income	(80)	20	6	7	(74)	27
Total comprehensive (loss)/income	(107)	(43)	75	83	(32)	40
(Loss)/profit allocated to NCI	(10)	(24)	17	19	7	(5)
OCI allocated to NCI	(30)	7	1	2	(29)	9
Summarised cash flows						
Cash flows from operating activities	100	(13)	79	73	179	60
Cash flows from investing activities	(156)	(50)	—	—	(156)	(50)
Cash flows from financing activities	61	(65)	(79)	(73)	(18)	(138)
Net increases/(decreases) in cash and cash equivalents	5	(128)	—	—	5	(128)

Transurban Holding Trust and Transurban International Limited
Notes to the THT and TIL financial statements
for the year ended 30 June 2018

Other

D17 Related party transactions

THT

	THL ¹	
	2018 \$'000	2017 \$'000
Transactions with related parties		
Rental income	666,639	648,915
Interest income	595,024	519,605
Interest expense	343,589	304,823
Other expenses	4,441	4,353
Outstanding balances with related parties		
Current receivables	883,505	1,922,516
Current concession notes	99,528	—
Non-current receivables	10,410,144	7,452,217
Non-current concession notes	965,496	946,490
Current liabilities	632,329	639,861
Non-current liabilities	5,567,027	5,162,354

TIL

	THL ¹	
	2018 \$'000	2017 \$'000
Transactions with related parties		
Interest expense	70,421	65,871
Other expenses	6,276	9,167
Outstanding balances with related parties		
Current liabilities	1,643,726	1,590,698
Non-current liabilities	889,774	—

1. Transactions and outstanding balances between THT/TIL and THL.

D18 Parent entity financial information

Summary financial information

The individual financial statements for the parent entities (THT and TIL) show the following aggregate amounts:

	THT		TIL	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Balance sheet				
Current assets	1,883	2,132	409	342
Total assets	16,619	14,836	855	365
Current liabilities	1,168	717	408	—
Total liabilities	5,826	5,517	411	—
Net assets	10,793	9,319	444	365
Issued units/contributed equity	12,243	10,665	363	309
Reserves	8	7	74	55
(Accumulated losses)/Retained earnings	(1,458)	(1,353)	7	1
Shareholders' equity	10,793	9,319	444	365
Profit for the year	987	743	6	—
Exchange differences on translation of USD balances, net of tax	—	—	87	(13)
Total comprehensive income/(loss)	987	743	93	(13)

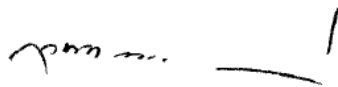
Section E: Signed reports

In the opinion of the Directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited (as the responsible entity of Transurban Holding Trust) and Transurban International Limited (collectively referred to as 'the Directors'):

- (a) the financial statements and notes of Transurban Holdings Limited and its controlled entities, including Transurban Holding Trust and its controlled entities and Transurban International Limited and its controlled entities set out on pages 47 to 124 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 Transurban Holdings Limited Group's, Transurban Holding Trust Group's and Transurban International Limited Group's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Transurban Holdings Limited Group, Transurban Holding Trust Group and Transurban International Limited Group will be able to pay their 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 B25 will be able to meet any obligations or liabilities to which they are, or may become liable, subject by virtue of the deed of cross guarantee described in note B25.

Note B3 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.



Lindsay Maxsted
Director



Scott Charlton
Director

Melbourne
7 August 2018



Independent auditor's report

To the stapled security holders of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of Transurban Holdings Limited (THL or the Company) and its controlled entities (together the Transurban Group or the Group), Transurban Holding Trust (the Trust) and its controlled entities (together THT) and Transurban International Limited (the International Company) and its controlled entities (together TIL) are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the financial positions of the Transurban Group, THT and TIL as at 30 June 2018 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports of the Transurban Group, THT and TIL (the financial report) comprise:

- the consolidated balance sheets as at 30 June 2018
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Transurban Group, THT and TIL in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Transurban Group, THT and TIL, their accounting processes and controls and the industry in which they operate.

Materiality

- For the purpose of our audit of the Group we used overall group materiality of \$42 million, which represents approximately 2.5% of the earnings before interest, tax, depreciation and amortisation expenses (EBITDA) of the Group.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose EBITDA as the benchmark because, in our view, it is the metric against which the performance of the Transurban Group is most commonly measured and is a generally accepted benchmark in the infrastructure industry. We chose 2.5% based on our professional judgement, noting that it is within the common range relative to EBITDA benchmarks.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the financial report for each of the Transurban Group, THT and TIL, including substantive audit procedures in respect of the operation of each of the toll road concessions and equity accounted investments. Specific audit procedures were also performed for interest, tax, depreciation and amortisation expenses.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Recording of toll revenue		
<i>Group – Note B5</i>	<i>THT</i>	<i>TIL – Note D4</i>
<i>Toll revenue: \$2,249m</i>	<i>Toll revenue – not applicable</i>	<i>Toll revenue: \$222m</i>
Key audit matter		How our audit addressed the key audit matter
The Transurban Group operates toll roads in 4 geographic segments: Melbourne, Sydney and Brisbane in Australia and North America. Each toll road records and recognises revenue through the use of technology, specifically, road side equipment supported by tolling and billing systems. Tolling equipment and systems are customised complex systems that are built with the purpose of correctly identifying vehicle type, calculating correct fare and linking the vehicle to the customer's account for billing purposes or obtaining information from local transport authorities for vehicles that have not made a valid billing arrangement. Every toll road operates under a different concession deed which governs the means by which customers are charged. This was a key audit matter for the Group and TIL due to the large volume of transactions that were processed in the year, the unique nature of each toll road and the reliance on bespoke information technology systems and controls.		Our procedures included, amongst others: • Testing a selection of Information Technology General Controls (ITGCs) supporting the integrity of the tolling systems' operation, including access, operations and change management controls. • Performing tests of the design and operation of relevant controls over revenue adjustments, write offs, image processing and exception reporting. • Performing testing of the review and approval of a selection of toll price increases for each toll road during the year. • Performing data analysis of manual journals and adjustments to revenue to test a sample of material postings to revenue and checking that they were generated by the tolling systems. • Testing a selection of payments collected by the North America toll roads. • Using data analytics to recalculate the toll revenue for each toll road in Australia for the full 12 month period.

Borrowings		
<i>Group – Note B14</i>	<i>THT – Note D10</i>	<i>TIL – Note D10</i>
<i>Current borrowings: \$524m</i>	<i>Current borrowings: \$20m</i>	<i>Current borrowings: \$3m</i>
<i>Non-Current borrowings: \$14,871m</i>	<i>Non-Current borrowings: \$6,361m</i>	<i>Non-Current borrowings: \$2,591m</i>
Key audit matter		How our audit addressed the key audit matter
Borrowings are an integral part of the Transurban Group's business model as it is the key source of funds used by the business to fund new projects and upgrades to existing concession assets. Borrowings represent the largest liability on the balance sheets. During the year the Transurban Group refinanced around \$3 billion of borrowings through bonds issuances and new bank facilities. Each of the borrowing agreements has its own set of terms and conditions and therefore audit work was required to assess the treatment of the agreements and their impact on the financial statements. Given the size of the borrowings balance, the number of borrowing agreements in place and the importance of the funding structure for continued growth, the accounting for borrowings was considered a key audit matter for the Group, THT and TIL.		Our procedures included, amongst others: • Obtaining confirmations from banks to confirm a selection of borrowings, including amounts, tenure and conditions. • Reading the most up-to-date borrowing agreements with the financiers to develop an understanding of the terms associated with the facilities and the amount of facility available for drawdown. • Where debt is regarded as non-current, considering the Group's assessment whether there is an unconditional right to defer payment such that there were no repayments required within 12 months from the balance date. • Assessing accounting treatment of the capitalised borrowing costs arising from new arrangements and borrowing costs related to terminated facilities. • Evaluating the debt maturity profile and funding plan in light of our understanding of the debt agreements in place. • Performing tests of the design and operation of relevant controls over treasury function including funding plan and board review and approval of debt agreements and financial institutions used.

Service concession arrangements

Group – Notes B16 – B19, B26

Concession intangible assets: \$19,759m

Concession financial assets: \$349m

Maintenance provision: \$1,064m

Other liabilities: \$90m

Other provisions: \$124m

THT – Notes D12, D14

Concession intangible assets: \$9,358m

Concession notes receivable: \$1,065m

Other liabilities: \$50m

TIL – Notes D12, D13

Concession intangible assets: \$3,903m

Concession financial assets: \$349m

Maintenance provision: \$119m

Key audit matter

Each of the concession assets in the Transurban Group's portfolio represents a contractual right under a concessional agreement to toll a road in return for the capital and expertise needed to build, maintain and operate the road.

Every concession asset is governed by its own concession agreement between the Group and the concession grantor (typically government or a local transport authority of the region in which concession is granted). As a result, the Transurban Group is subject to a number of contractual obligations, some of which have a direct impact on financial statements. Whenever the Group undertakes a new project to construct, acquire or upgrade the asset, its contractual arrangements with concession grantors are altered either through a new concession agreement or an amendment of the existing concessional agreement.

The right to receive future economic benefits is recognised on the balance sheet as a concession asset. The asset is recognised at cost of construction or price paid at acquisition. The Group monitors performance of the assets for indicators of impairment at the end of each reporting period. Where indicators are identified during the period, the Group compares the carrying amount to its estimate of the recoverable amount of the asset.

The concession agreements also contain clauses that require the Transurban Group to make cash outflows in the future, resulting in the recognition of concession liabilities such as maintenance liabilities, concession note liabilities and contingent consideration liabilities.

The concession asset recoverable amount and concession liabilities recognised are calculated by estimating the net present value of future cash flows of the concession agreements using discounted cash flow models (the models). This area requires significant judgement by the Group due to a number of uncertain assumptions that impact the timing and quantum of future cash flows generated by the toll road, specifically assumptions such as future traffic expectations, operating costs, maintenance cash outflows and finance cost forecasts.

We considered this to be a key audit matter for the Group, THT and TIL due to the accounting complexity of the arrangements and judgement required to interpret the accounting requirements and calculate their impact on the financial statements.

During the year and up to the date of this report the Group reached financial close on the West Gate Tunnel Project and the 395 Project via an amendment to the 95 Express Concession arrangement. The Group also acquired 100% of the equity interest in the concessionaire of the road autoroute 25 (A25).

How our audit addressed the key audit matter

We evaluated the concession agreements for each toll road to develop an understanding of the nature of the agreements with the concession grantors and assess the accounting implications of the contractual arrangements.

Our other procedures included, amongst others:

- Performing tests of the design and operation of controls over a selection of the forecast and modelling processes impacting the models.
- Considering the relevant obligations in the concession agreements having regard to the calculations in the models and corresponding balance sheet line items.
- Involving valuation specialists to assess the calculation methodology and reasonableness of the assumptions used within the models.
- Evaluating the impairment indicator assessment.
- Assessing the mathematical accuracy of the models and agreeing key data to the latest approved budgets and forecasts.
- Assessing the adequacy of the disclosures in the financial report in respect of contractual arrangements having regard to the requirements of Australian Accounting Standards.

Income taxes		
Group – Note B7 <i>Income tax benefit: \$179m</i> <i>Deferred tax assets: \$1,021m</i> <i>Deferred tax liabilities: \$985m</i>	THT <i>Income taxes – not applicable</i>	TIL – Note D5 <i>Income tax benefit: \$98m</i> <i>Deferred tax assets: \$271m</i> <i>Deferred tax liabilities: \$401m</i>
Key audit matter		How our audit addressed the key audit matter
Taxation was a key audit matter for the Group and TIL due to the accounting complexity of the calculations, judgemental nature and expertise required to estimate the tax position recorded. The Transurban Group is subject to income taxes in Australia and North America. Judgement is required in determining the provision for income taxes. In 2018 the new tax legislation was effective for the United States and has been implemented by the Group. The Group is also subject to a number of industry specific tax rules and provisions which require significant judgement and detailed understanding of the legislation and relevant case law. Some of the tax provisions are subject to interpretation and therefore for some transactions the ultimate tax determination is uncertain. Deferred tax assets relating to carried forward tax losses are recognised to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. The assumptions supporting this position are dependent on future cash flows generated from the toll roads operating in each tax group. Future taxable profits will need to be generated in order to support the recognition of the deferred tax assets. Due to the stapled structure of the Group, tax calculations are complex and require the Group to make judgements and assumptions. Furthermore, as described in Note B7 the Transurban Group contains six different tax consolidated groups with their own Tax Sharing and Tax Funding agreements, each of which creates additional complexities in the calculations.		Our procedures included, amongst others: - Assessing the processes for identifying uncertain tax positions and the related accounting policy of provisioning for tax exposures. - Using PwC tax specialists to gain an understanding of the current status of tax assessments and investigations and assessing the impact of selected new tax laws and guidance on the tax balances recognised. - Reading recent rulings and correspondence with local tax authorities, as well as independent external advice provided to the Group and TIL where relevant, to assess the associated tax provisions. - Testing a sample of deferred and income tax calculations for each tax group. - Assessing the key assumptions used to support the recognition of tax losses and their future utilisation. The key assumptions included judgements over future traffic growth and pricing assumptions.

Other information

The directors of Transurban Holdings Limited, and Transurban Infrastructure Management Limited (as the responsible entity of Transurban Holding Trust) and Transurban International Limited (collectively referred to as “the directors”) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Directors’ report, but does not include the financial report and our auditor’s report thereon. We expect the remaining other information to be made available to us after the date of this auditor’s report, including the Corporate Governance Statement and Security holder information.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Transurban Group, THT and TIL to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Transurban Group, THT or TIL or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 21 to 43 of the Directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Transurban Holdings Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors 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.

A handwritten signature in dark ink, appearing to read 'R. K. Cooper'.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'M. Laithwaite'.

Marcus Laithwaite
Partner

Melbourne
7 August 2018