Corporate Report

Transurban

For the year ended 30 June 2019

Our FY19 performance highlights

59 cents

per stapled security distributed in FY19, growth of 5.4% on FY18

374K hours

average workday travel-time savings

Up to

78%

safer roads than comparable alternatives

4

major projects opened to traffic

New M4 Tunnels[1], Logan Enhancement Project[2], Gateway Upgrade North and Inner City Bypass upgrade

Purchased

51%

of WestConnex

as part of Sydney Transport Partners Consortium

1 *New M4 Tunnels were substantially completed in FY19 and opened to traffic on 13 July 2019*

2 *Logan Enhancement Project completion works are underway and expected to be finalised in August 2019*

Linkt Assist

hardship program established

2.0%

average daily traffic growth

Tunnelling completed on 2 projects

NorthConnex and New M5

$15M

reduction in fees due to fee and enforcement reform enhancing positive outcomes for customers

Committed to

Financial Inclusion Action Plan

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Introduction and overview

Our Chairman and CEO begin the Corporate Report with a review of the year's performance and their outlook for the future. This is followed by an overview of who we are and what we stand for, along with a summary of our roads and projects.

We outline our strategy and how this helps us create value for all of our stakeholders. We also detail how we engage with our stakeholders and respond to their feedback.

An overview of the major external factors influencing our business now and into the future concludes this section.

Reporting suite—all available at transurban.com/investor-centre

FY19 Corporate Report—this report

The holistic performance of Transurban in FY19 including our Financial Statements.

FY19 Results Presentation

Management presentation of financial and non-financial results including non-statutory analysis.

FY19 Sustainability Data and Climate Change Disclosures

Supplement to the Corporate Report including information related to our assessment and management of climate-related impacts.

FY19 UN Sustainable Development Goals Progress Report

Progress report on the nine UN SDGs that are particularly relevant to Transurban, including associated targets, performance during the year and summary of key initiatives implemented.

Corporate Governance Statement

Corporate Governance Statement in accordance with the ASX Council's Corporate Governance Principles and Recommendations (3rd Edition).

Tax Transparency Report

Overview of our corporate structure, approach to tax and tax position for FY18—available late August 2019.

About this report

Key changes

This year we have taken a new approach to our annual report by providing a holistic view of our business in a single document.

Along with our Financial Statements, the FY19 Corporate Report outlines how we have performed and created value for our six stakeholder groups.

We have also enhanced our Remuneration Report to provide further context on our remuneration strategy and governance.

The FY19 Corporate Report covers the period from 1 July 2018 to 30 June 2019 unless otherwise specified.

We have used a variety of processes and sources to pinpoint the topics discussed in this report, including the Global Reporting Index (core option), the International Integrated Reporting Framework, stakeholder feedback and external commentary.

The United Nations' Sustainable Development Goals (SDGs) have also guided our reporting. We have identified nine SDGs (Figure 1) as being particularly relevant to our business. A progress report detailing our performance against the nine goals is available at transurban.com/fy19-sustainability-sdgs.

Since 2006, we have produced an annual Sustainability Report to detail our non-financial performance and contributions to the community. This information is now included in our annual Corporate Report, recognising that sustainability benefits all our stakeholders. Additional detail is available in the FY19 Sustainability Data and Climate Change Disclosures, available at transurban.com/investor-centre.

This report also includes our Financial Statements, which have been prepared in accordance with the *Corporations Act 2001* and Australian accounting standards. Detailed information on the basis of preparation of our Financial Statements is available on page 96.

PricewaterhouseCoopers has conducted an independent audit of the Financial Statements and Remuneration Report. Detailed information on the audit is available in Section E of the Financial Statements on page 176.

Additionally, KPMG has provided limited assurance over the following selected non-financial data points included in our reporting suite: Road Injury Crash Index; Recordable Injury Frequency Rate; Scope 1 GHG emissions (tCO_2e^*); Scope 2 GHG emissions (tCO_2e^*); Customer vehicle GHG emissions (tCO_2e^*); Nitrogen oxides (NOx) emissions (tonnes*); and community investment.

Select non-financial data points within this report are estimates informed by part-year data and trend analysis of previous years. This estimated data is identified by an asterisk (*).

Further information on the methodology used for sustainability data in this report, including limited assurance statement by KPMG, is available in the FY19 Sustainability Data and Climate Change Disclosures.

The remaining information in this report is derived from the group's internal records and from information available in the public domain and has been through an internal review process.

Figure 1: Aligning our Sustainability Strategy with the UN SDGs

In FY19, we changed our Sustainability Strategy to better align with the nine UN SDGs most relevant to us and our stakeholders. In doing so, we reinforced our commitment to the UN Global Compact, and contribution to global sustainability efforts.

Our strategy is supported by a set of objectives and work program.

Throughout this report, we have used the UN SDG icons (left) to show how our activities are contributing to the global goals.

Our recognitions

Global Real Estate Sustainability Benchmark—Infrastructure (2018)
1st globally for Transportation Infrastructure and 3rd overall globally

Dow Jones Sustainability Index (2018)
1st toll road operator and 2nd for Transportation and Transportation-Infrastructure sector globally

FTSE4Good
Member of Global Index for 15 years

Ethibel Socially Responsible Investment Register
Excellence label in the 2019 Ethibel Investment Register

Workplace Gender Equality Agency (Australia)
Employer of Choice Citation for five years

MSCI
AAA ESG Rating

Our affiliations

Global Reporting Initiative (GRI)
Utilised for our sustainability reporting for 14 years

UN Global Compact
Participant since 2009

Task Force for Climate-related Financial Disclosures
Implementing recommendations

Carbon Disclosure Project
Participant in 2019

IS and Envision
Sustainability ratings for major projects

Lindsay Maxsted
Chair and independent Non-executive Director

Chair's message

Financial year 2019 has been a tremendously rewarding period for Transurban, with significant achievements across all facets of the business.

Our solid financial results and progress in operations and development projects, clearly demonstrates the success of our business strategy to produce positive outcomes for our customers, communities, government and business partners, our people and investors.

During the period, the balance sheet has remained strong as highlighted by our investment grade credit metrics, achieved alongside significant portfolio development activity. In addition, cash flow continues to grow as we balance our objectives of growing distributions while creating long term value for security holders.

Key financial highlights of the period ended 30 June 2019:

- statutory net profit of $170 million
- 12.3 per cent growth in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to $2,016 million[1]
- distribution of 59 cents per security, a 5.4 per cent increase on the distribution paid in FY18.

Transurban constantly seeks to balance long-term value creation with maintaining distribution growth to our investors. For the year ending 30 June 2020, the Board has issued distribution guidance of 62 cents per security, an increase of 5.1 per cent on the FY19 distribution. Our guidance reflects the Board's confidence in the strength of our underlying business.

I would like to take this opportunity to thank our security holders for their continued support of Transurban and, in particular, support for the recent capital raisings that have underpinned the development projects that will create further value over the long term.

The overall success of Transurban rests on our capacity to create mutually beneficial relationships with our many stakeholders.

To that end, this year we have compiled a Corporate Report that highlights our balanced approach and goes beyond the numbers to provide a holistic view of the long-term value—financial and non-financial—we create.

This Report includes more comprehensive information on our long-term strategy, the issues that may impact it and how we are responding. It notes that we have revised our business strategy to ensure it continues to be clearly aligned with the expectations of our various stakeholders. Our strategy is to provide sustainable transport solutions that offer choice, reliability, safety, transparency and value. Our purpose remains unchanged—to strengthen communities through transport.

Also, within the Corporate Report we have provided information such as our environmental performance within major project delivery and operations and how we are working with others in our industry to address risks and improve outcomes. We have also provided examples of how we have practically responded to the challenges that many growing cities face with increasing congestion and cost-of-living pressures. This includes establishing a dedicated team to assist customers in social or financial hardship, building on our long-standing hardship policy.

Our purpose remains unchanged—to strengthen communities through transport.

I hope this expanded commentary in the Corporate Report provides you with a greater understanding of the various initiatives supporting our overall strategy.

Finally, on behalf of the Board, I acknowledge the work of the Executive Team, led by Scott Charlton and that of all of our employees.

Their commitment and effort will form the basis for the continued success of Transurban in what promises to be another extremely busy year.

Lindsay Maxsted
Chair

1 *Proportional EBITDA, excluding significant items*

CEO's message

It has been an exceptional year for Transurban as we continued to build our portfolio for the long term, progressed development projects and expanded initiatives in customer engagement, sustainability, technology and safety.

In September 2018 alongside our partners, we acquired 51 per cent of Australia's biggest road project—WestConnex, and last month we opened the first underground section—the New M4 Tunnels. WestConnex will be transformative for Sydney and provide significant time savings for our customers with access to a critical link to the CBD, transport hubs and the city's orbital network.

In May this year, just a few kilometres from Melbourne's CBD, 500 workers completed construction of a giant launch site for our West Gate Tunnel Project. It's from here that the 90-metre long tunnel boring machines—Vida and Bella—will begin digging out the twin tunnels that will change the face of transport in Melbourne by providing a much-needed alternative to the city's busiest river crossing, the West Gate Bridge. The tunnels will also remove thousands of trucks from local streets daily.

Once complete, these projects, along with our nine kilometre NorthConnex tunnels in Sydney's northern suburbs and three Express Lanes projects in the USA, will offer valuable travel-time savings, safety and reliability for motorists, ultimately improving liveability and productivity in these cities.

These projects are the highly visible demonstrations of how we go about achieving our company purpose, to strengthen communities through transport. What isn't as obvious is the hard work of the thousands of Transurban people behind the scenes.

These people are focused on making sure our roads operate as efficiently and safely as possible. They're listening to and learning from our customers and the community to ensure their interactions and experiences with us are as easy as possible. Others are preparing for the future of transport through technology, working on initiatives to reduce our environmental footprint and developing industry-leading and diverse talent to take Transurban into the future.

Other major achievements in FY19 include:

- 1.7 million trips, saving customers an average of 374,000 hours every work day
- two per cent average daily traffic growth
- four major projects with lanes open: the Logan Enhancement Project, Gateway Upgrade North and Inner City Bypass upgrade in Brisbane and the New M4 Tunnels in Sydney which opened in July
- a revised Sustainability Strategy—aligned with the UN's Sustainable Development Goals—and continued development of our climate change management program.

After a period of sustained growth, we have set three near-term priorities: deliver our committed projects; maximise the performance of operations; and enhance customer and community offerings.

I am confident that we have a great team of highly skilled and committed people to continue to advance these priorities and realise the benefits of more efficient transport networks for our customers and the community.

Scott Charlton
Chief Executive Officer

Scott Charlton
Chief Executive Officer
and Executive Director

About us

1996

Transurban was established in Melbourne

17

toll roads in Australia and North America

30.8

weighted average concession length (in years)

8

projects scheduled for completion by FY24

We design our roads for the long term, ensuring they'll deliver real and lasting benefits to cities and their communities.

As one of the world's largest toll-road operators, our business is about getting people where they want to go, as quickly and safely as possible to assist in achieving our purpose—to strengthen communities through transport.

Listed on the Australian Securities Exchange (ASX) in 1996, Transurban was established in Melbourne with the development of CityLink, one of the city's major transport corridors.

Today we have 17 toll roads in Sydney, Melbourne and Brisbane, Australia, as well as in the Greater Washington Area and Montreal in North America.

We have eight projects underway that will offer major improvements in the way motorists move around our cities.

We design our roads for the long term, ensuring they'll deliver real and lasting benefits to cities and their communities.

Every day more than 1.7 million trips are taken on our roads. We are persistent in looking for ways to make travel easier for everyone by using technology to create more efficient roads and a better customer experience.

As an industry leader, we set high standards for our performance on social and environmental issues, and we invest in both in order to contribute to social inclusion and manage our environmental impacts.

Our values

Our values set the agenda for the way we work and how we interact with all of our stakeholders.

These values are:

- integrity
- respect
- accountability
- collaboration
- ingenuity

Our roads and projects

Ownership (as at 30 June 2019)

Concession life remaining

		Ownership	Concession life remaining
USA Virginia	495 Express Lanes[1]	100%	68 years
	95 Express Lanes[2]	100%	68 years
Canada Montreal	A25	100%	23 years

		Ownership	Concession life remaining
Australia Melbourne	CityLink	100%	26 years
	West Gate Tunnel	100%	23 years[3]
Brisbane	Gateway Motorway	62.5%	33 years
	Logan Motorway	62.5%	33 years
	Clem7	62.5%	32 years
	Go Between Bridge	62.5%	44 years
	Legacy Way	62.5%	46 years
	AirportlinkM7	62.5%	34 years

		Ownership	Concession life remaining
Sydney	M5 West[4]	65.38%	42 years
	Hills M2	100%	29 years
	Eastern Distributor	75.1%	29 years
	Westlink M7	50%	29 years
	NorthConnex	50%	28 years[3]
	Lane Cove Tunnel	100%	29 years
	Cross City Tunnel	100%	16 years
	New M4[5]	25.5%	42 years
	M5 East[6]	25.5%	40 years[3]
	M4-M5 Link[7]	25.5%	37 years[3]

1 *495 Express Lanes concession includes the 495 Northern Extension Project, development framework agreed—project scope and timing subject to change*

2 *95 Express Lanes concession includes 395 Express Lanes and the Fredericksburg Extension both currently under construction*

3 *From expected opening*

4 *M5 West will form part of the WestConnex M5 concession through to December 2060, once concession expires in December 2026. As at 30 June, 2019, Transurban owned 65.38 per cent of M5 West and 25.5 per cent of WestConnex*

5 *M4 opened May 1994, M4 Widening opened July 2017, New M4 Tunnels substantially complete in FY19 and opened to traffic in July 2019*

6 *Including New M5*

7 *M4-M5 Link and Rozelle Interchange*

Our strategy

Purpose: **To strengthen communities through transport**

Strategy:

Provide sustainable transport solutions that offer choice, reliability, safety, transparency, and value

We do this by:

Stakeholder engagement

We strive to be a trusted partner to communities, customers, governments, our people, business partners and suppliers and investors

Optimal networks

We strive to maintain a leading understanding of the transport needs of our markets

Delivery and operations

We invest in technology, innovation and people to make transport safe, reliable, simple and sustainable

Disciplined investment

We maintain a 'best-for-network' approach to value-adding, opportunity development

The value we're striving to create for our stakeholders:

Customers

The millions of people and businesses that use our roads and services.

More productive and liveable cities through:

- faster and more reliable travel times
- safer roads
- choice, convenience, transparency and value for customers in the travel routes they take and the way they interact with us.

Community

The communities of Sydney, Melbourne and Brisbane in Australia and the Greater Washington Area and Montreal in North America.

Better connected and more sustainable communities through:

- improved productivity and easier access to goods and services through direct transport connections
- reduced through-traffic in local neighbourhoods
- job creation through construction projects and flow-on employment opportunities
- highest standards of community engagement to create local neighbourhood benefits
- investment in community projects and partnerships
- focus on environmental initiatives to improve local ecology and reduce the impact of our operations.

Our people

Our almost 3,000 strong workforce, our pipeline of emerging talent and the thousands of sub-contractors who represent Transurban across our projects and operations every day.

Highly capable workforce through:

- job creation and skills development
- development of emerging talent
- focus on safety and employee wellbeing.

Government and industry

Our partners in federal, state and local governments and the transport and business community we are active in.

Innovative and efficient transport infrastructure to cater for growing urban populations through:

- capital input freeing up government balance sheets for other priorities
- potential to fast-track project delivery and for private sector to take on project or financial risks
- private sector expertise in innovative design, construction and operations
- contribution to public policy debate.

Business partners and suppliers

The 1,600+ network of suppliers and partners that provide the goods and services we rely on to deliver for our customers.

Better environmental and community outcomes through influence in our extensive supply chain through:

- long-term relationships with lasting economic benefits in employment, goods and services procurement
- risk management within our supply chain
- opportunities for innovation and sustainable outcomes within supply chain.

Investors

The institutional, superannuation, retail and debt investors that provide us with the capital to deliver long-term, responsible growth.

Sustainable investment proposition through:

- balanced distribution growth and long-term value creation
- disciplined approach to future opportunities
- superior ESG (environmental, social and governance) industry performance.

Engaging our stakeholders

Customers

How we engaged

- "Voice of Customer" continuous listening program
- "Changing Gears" online customer research panel
- Customer service channels including website, app, webchat, email, phone, mail and retail outlets
- Social media
- Customer Resolutions team
- Qualitative and quantitative research

Key topics we heard

- Ease and convenience of interactions
- Equity and accessibility matters
- Fees, charges and infringement processes
- Transparency of value
- On-road experience factors such as congestion
- Privacy

How we responded

- Significant enhancements to digital platforms
- Linkt Assist dedicated hardship assistance team and commitment to Financial Inclusion Action Plan
- Changes to fees and charges and infringement process improvements
- Increased proactive communications including pre-empting potential account issues
- Online and roadside tools to assist in choice and value assessment for our roads
- Collaborate with government partners to improve on-road experience (variable speed trials, lane and ramp modifications, incident response)
- Additional assurance and root cause review of customer enquiries

Community

How we engaged

- Project community engagement teams who interact through information sessions, meetings, and digital and hard-copy communications
- Corporate trust survey
- Community liaison groups
- Social media
- Partnerships, grant programs and events

Key topics we heard

- Role of the community in design of responses to their concerns
- Direct benefits to the community through projects and operations
- Processes and governance
- Emissions and air quality
- Impacts through project construction and operations
- Transparency of project design and delivery processes and decision making

How we responded

- Demonstrated positive contributions to communities through partnerships and social and environmental initiatives
- Joined Australian National University's Next Generation Engagement Program to promote best practice in achieving positive community outcomes
- Consulted with community liaison groups on major projects design and delivery
- Invested in community through partnerships and distributed community grants to 42 groups in Australia and 30 in North America
- Facilitated development of parks and community spaces including Hornsby Quarry—where tunnel spoil was delivered from NorthConnex Project
- Air quality monitored on tunnels and projects with data published publicly

Our people

How we engaged

- "Our Voice" continuous listening program
- Regular employee town hall meetings
- Internal communications channels including intranet, Webex, emails, signage
- Learning event series (internal and external speakers)
- Quarterly awards and recognition program

Key topics we heard

- Health, safety and wellbeing
- Skills and capability development
- Access to flexible ways of working
- Diversity and equity
- Ongoing career opportunities

How we responded

- Health and Safety Action Plans mandatory for all teams in the business
- Focus on mental wellbeing within our revised Belonging and Wellbeing Strategy
- Professional development plans developed through annual performance review program
- Continuous learning platform complemented by specific 'lunch and learn' series for example, macro technology and policy trends
- Flexible ways of working supported by new collaborative technologies and capability
- Women in Leadership program supporting gender diversity at a mid and senior level
- Pay reviews completed annually to maintain pay equity gap of less than one per cent

Government and industry

How we engaged

- Submissions to State and Federal government and government agency inquiries
- Appearance at public parliamentary hearings
- Industry partnerships and memberships
- Attendance and speaking at industry events
- Meetings with political stakeholders, officials and regulators

Key topics we heard

- Innovative and sustainable transport solutions to meet needs of growing cities
- Future-ready infrastructure
- Road safety

How we responded

- Twelve road projects and upgrades progressed with governments in FY19
- Worked with government partners and industry on three trials of connected and automated vehicle (CAV) technologies on Transurban's roads
- Consultation with government on research from the Transurban Road Safety Centre
- I-95 Corridor Coalition mileage-based-user-fee feasibility study

Business partners and suppliers

How we engaged

- Alignment and objective setting with our major and long-term partners
- Appointed representatives within our major partner engagements and formalised steering committees
- Working groups and workshops with supply chain members
- Engagement with industry on intended pipeline and future scope of works
- Dedicated relationship managers and check-in meetings

Key topics we heard

- Working with our supply chain to deliver better outcomes for all stakeholders, including reducing environmental impact of business activity
- Managing risks within supply chain, including human rights
- Visibility and confidence of long-term pipeline for suppliers
- Quality of relationships

How we responded

- Implemented Sustainable Procurement Program including a revised Policy, Supplier Code of Practice and Sourcing Toolkit to address risk and promote greater social, safety and sustainability outcomes
- Joined Social Traders to encourage partnerships with social enterprises
- Collaborated with suppliers in readiness for the Modern Slavery Act 2018
- Continued to work closely with our business suppliers and deliver on expected pipeline of work
- Continued to work with partners to identify and respond to cyber security and other risks within our supply chain

Investors

How we engaged

- Annual program of institutional and retail investor engagement including domestic and offshore one-on-one meetings
- Half year and full year results briefings
- Annual investor day
- Quarterly traffic releases
- Asset tours
- Annual General Meeting
- Dedicated Investor Centre website
- Bi-annual investor survey
- Proxy adviser and ESG engagement

Key topics we heard

- Asset performance
- Long-term value creation
- Pipeline restocking
- Distribution growth
- Capital management
- Project delivery
- Current and emerging risks
- ESG performance

How we responded

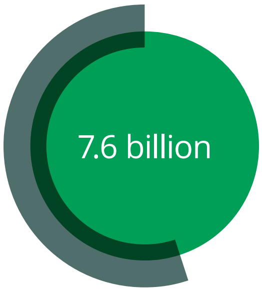
- Delivered FY19 distribution of 59.0 cents per stapled security, an increase of 5.4 per cent on last year's distribution
- Acquired 51 per cent of WestConnex as part of consortium
- Advanced major project pipeline with four projects opened to traffic or substantially completed and eight advanced
- Maintenance of strong investment-grade credit metrics to access broad range of debt markets
- Active management and review of emerging, strategic and operational risks

External influences

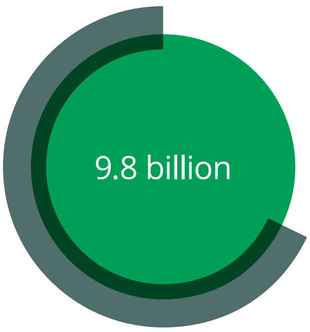
Growth in population and urbanisation

Global population[2]   Percentage urbanised[3]

2017/18



2050 forecast



Like all businesses, identifying, responding and adapting to the external environment is critical to our longevity. For simplicity we have categorised the major external factors influencing our business into three major themes:

- environmental considerations and impacts
- population growth, urbanisation and infrastructure demand
- transport technology and policy trends.

Information about how we identify and manage risks facing our business is available in our section on Risk Management, page 54.

Environmental considerations and impacts

With an average concession of 30.8 years, we need to prepare our business for a future that is sometimes difficult to predict.

Climate change and its impacts are at the forefront of a public debate.

We are taking this threat seriously and are committed to reducing our environmental impact and preparing our assets to tolerate extreme weather events. More information is provided in our Sustainability Data and Climate Change Disclosures.

Population growth, urbanisation and infrastructure demand

The efficient movement of people, goods and services has become one of the greatest challenges for cities across the globe.

Australia's population is expected to grow from 24.5 million in 2016 to 30 million by 2030[4]. Propelling this growth is mass urbanisation with 80 per cent of jobs now located in cities[5] and more than 90 per cent of Australia's population living in urban areas[6]. In North America, 82 per cent of the population lives in urban areas[7].

Population growth and urbanisation is putting unprecedented demands on already-stretched transport infrastructure.

While network enhancements may alleviate this pressure, transport operators need to explore long-term technological solutions to manage demand by improving the efficiency of existing infrastructure.

2 *United Nations Department of Economics and Social Affairs, World Population Prospects, 2017*
3 *United Nations Department of Economic and Social Affairs, World Urbanization Prospects, 2018*
4 *Australian Bureau of Statistics, Australian Demographic Statistics, June 2017*
5 *Grattan Institute, Mapping Australia's Economy: cities as engines of prosperity, 2014*
6 *Australian Bureau of Statistics, Census data 2017*
7 *United Nations Department of Economic and Social Affairs, World Urbanization Prospects, 2018*

Transport technology and policy trends

Connected and automated vehicles

Most experts agree that the move to connected and autonomous vehicles (CAVs) has the potential to fundamentally change the way we move around cities. Low levels of automation such as adaptive cruise control and lane-keep assist are becoming increasingly available in the standard vehicle fleet. As we move into the 2030s we expect adoption rates of highly automated vehicles to increase significantly.

Zero emission vehicles

Low and zero emission vehicles (ZEVs)—mainly electric vehicles and hydrogen vehicles, will help minimise the environmental impacts of road travel. Technology improvements and increasing demand will continue to improve cost competitiveness and model availability.

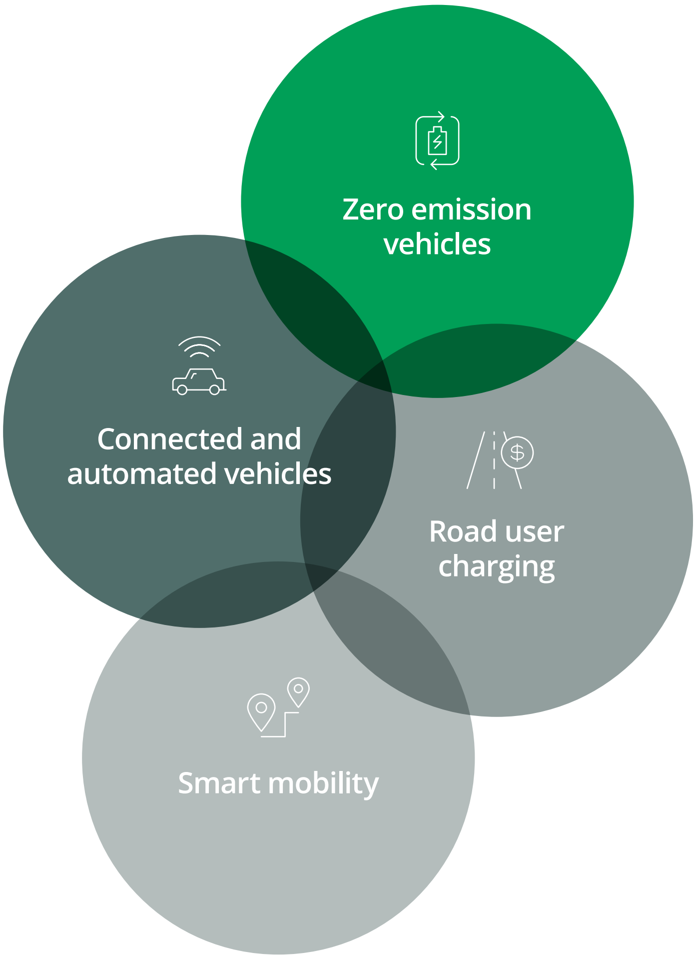
Road user charging

Improving vehicle fuel efficiency and greater numbers of ZEVs will have a profound bearing on the amount of revenue governments collect from fuel excise, which is used for the development of roads and infrastructure. Governments and transport sector experts have acknowledged the need to reform the way drivers pay for roads to provide a fair system that generates a sustainable revenue stream and also offers ways to get more out of existing infrastructure by managing demand. This need will increase significantly over the next decade.

Smart mobility

Ride-hailing and ride-sharing services, multi-modal transport platforms and transport-on-demand apps are already giving people greater certainty, choice and convenience in how they travel. Smart mobility will become the most popular and affordable mode of personal travel and may contribute to the gradual decline of the cost of travel and private vehicle ownership.

Convergence of these trends will be key to the future of transport



The implication—more kilometres travelled

The nature, scale and timing of these changes are difficult to predict. We believe that their convergence will redefine urban mobility—creating a safer, more sustainable, integrated and automated road transport network. Impacts may include:

- **Increased demand—**Population growth and urbanisation will continue to increase transport demand.
- **Improved efficiency—**The introduction of platooning allows smaller headways and higher speeds for more efficient use of road space. Motorways are set to benefit earlier with CAV-designated lanes.
- **New mobility options—**CAVs have the potential to provide new solutions for freight/delivery and for those otherwise unable to drive including the elderly, children and those with disabilities.
- **Favourable economics—**Use of ZEVs, CAVs and rise in smart mobility will likely lead to lower travel costs.
- **Improved safety—**Increasing interconnection and automation removes human error, reducing accidents and congestion.

18

Our business performance

374K
hours in travel time saved daily

1.7M
trips per day globally

280K
pieces of customer feedback collected annually

Customers

Strategic focus areas and UN SDGs relevant to this section

Our customers make approximately 1.7 million trips each day, collectively travelling around six billion kilometres on our roads each year.

In Australia we serviced more than 5 million customers and over 3.6 million drivers chose our roads in North America in FY19.

When customers choose our toll roads, they expect faster, more reliable and safer trips than alternative routes offer. They also expect their interactions with us to be easy, convenient and intuitive.

We are focused on meeting those expectations by providing an exceptional on-road experience and seamless customer service through our three brands—Linkt (Australia), Express Lanes (US) and A25 (Canada). Our mandate is to make it easy, show we care and add value for our customers.

Listening and responding to their feedback helps us improve customer satisfaction and enhance our products and services.

In this section we highlight our initiatives to improve customer experience and report on our on-road performance.

Faster, safer customer travel

Travel-time savings are central to our customer-value proposition and on an average workday in FY19, our customers collectively saved 374,000 hours in travel globally (refer to Figure 2). This has increased by 14 per cent since last financial year, due to increasing congestion on arterial roads and more efficient travel on our roads as well as the addition of travel benefits for customers on the M4 and A25.

Figure 2: Annualised benefits across each of our regions

	Average daily trips	Average daily travel-time savings[8]
Brisbane	406K	69K
Melbourne	854K[9]	89K
Sydney	817K	195K
North America	147K	21K

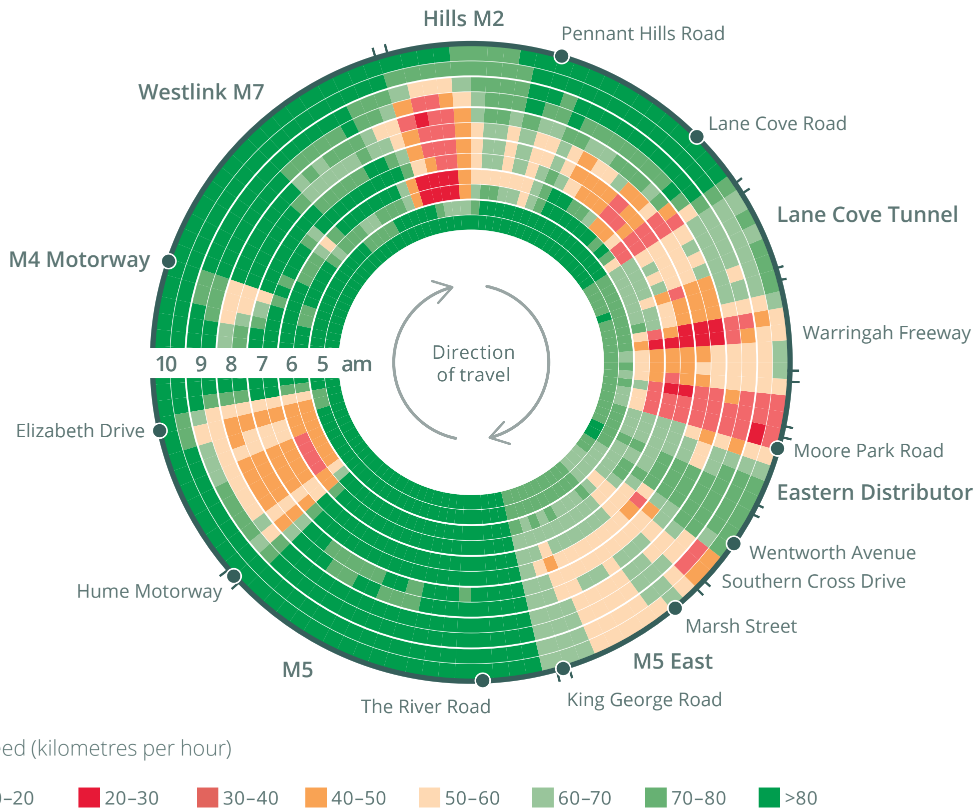
The efficiency and safety of our roads is supported by the data-led approach we take to operating our motorways. We use technologies such as variable speed and message signs, ramp metering, vehicle detectors and CCTV cameras to create 'managed motorways' to keep traffic flowing.

In some cases, these technologies have improved speeds by 34 per cent during peak periods and lane capacity by more than six per cent. We leverage the traffic data we collect to identify congestion pinch points as well as new ways to improve travel times (refer to Figure 3).

With new lanes and on-road technology added following the completion of the CityLink Tulla Widening project (in Melbourne), a six-month trial began in March 2018 to increase speeds from 80km/h to 100km/h in off-peak times when it was safe to do so. Technology was used to continuously monitor the road, checking weather conditions and traffic volumes to set speeds. Following the success of the trial and overwhelmingly positive feedback from customers, speed limits on this section of CityLink continue to be dynamically managed.

Similarly, in FY19, a trial on Westlink M7 and the Hills M2 in Sydney showed that to improve safety and travel times during the morning peak hour, we needed to reduce speed limits just before congestion occurred. This proactive management of speed limits resulted in safer traffic flow and reduced rear-end crashes. This strategy has since been implemented as business as usual.

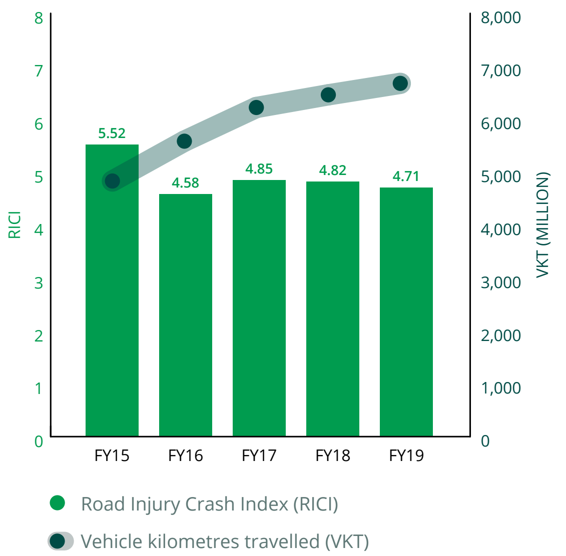
Figure 3: Data to detect traffic hot spots across our Sydney roads (AM peak hour—March 2019)



8 Savings displayed are an average of workday travel-time savings in hours from July 2018 to June 2019. Australian and Montreal savings are calculated from TomTom data. Savings for Greater Washington Area are calculated from Regional Integrated Transportation Information System data

9 ADT in Melbourne is reflective of transactions

Figure 4: Road Injury Crash Index



Safer roads

Our roads are among Australia's safest and we are vigilant about finding new ways to improve safety.

Transurban's Road Safety Strategy is based on the Safe System Approach, which recognises road safety as a shared responsibility—from individuals and businesses who use the roads to the organisations and agencies that build and manage the network.

In 2015, Transurban introduced the Road Injury Crash Index (RICI) and set ambitious targets to reduce serious road crashes on our network by 15 per cent over the coming five years. Since the establishment of RICI, we have acquired new roads and our vehicle kilometres travelled have increased by 38 per cent.

In FY19, the Road Injury Crash Index (RICI) across all Transurban assets was 4.71 injury crashes per 100 million vehicle kilometres travelled.

Our injury crash rate for FY19 was lower than FY18 (refer to Figure 4), but exceeded our ambitious target of 3.92, which we set five years ago.

We engaged Monash University Accident Research Centre to compare injury crashes on our Australian network with other similar roads. Transurban's roads were found to have significantly fewer crashes than similar roads with New South Wales[10] being 78 per cent lower, Victoria[10] 72 per cent lower and Queensland[11] 44 per cent lower.

World-class incident response

We monitor all our roads 24/7 and our incident response crews help motorists in need and keep traffic moving.

We use traffic data to identify 'hot spots' to help determine where incident response vehicles should be positioned around the network. This ensures a fast response time. Other initiatives, such as the installation of barriers and signage and lowering of speed limits, keep motorists and our crews safe.

In FY19 in Brisbane, we ran an Australian-first trial using motorbikes to expedite our incident response times on the Gateway and Logan motorways. Within the first six months, our two motorbike responders attended more than 150 incidents—arriving two minutes earlier and clearing incidents eight minutes faster. The trial has been extended until the end of 2019 and two extra motorbike responders will be added to the team.

...clearing incidents eight minutes faster...

10 Comparison is of 2018 data

11 Comparison is of 2017 data

Customer experience

31M

inbound interactions[12]

9/10

interactions are digital[12]

28M

digital sessions (67 per cent of these accessed via mobile)[12]

4.4/5

customer satisfaction rating for call centre[12]

Exceptional customer service is the expectation in our business and everything we do aims to deliver on our three customer promises to: make it easy, show we care, and add value.

Our Customer Service and Customer Experience teams continuously look for ways to meet and exceed our customers' expectations. A dedicated quality assurance team monitors our interactions with customers.

In FY19 we completed the consolidation of all of our Australian retail brands into one national brand, Linkt. The new brand replaced CityLink in Melbourne, go via in Brisbane, and Roam Express in Sydney to provide a simpler and easier experience for customers.

We also acquired the Roam customer base in Sydney and transitioned these customers to Linkt in February 2019. More than just a name change, the introduction of Linkt also included a range of new products and services, reduced fees and a streamlined account experience.

Having a national brand has allowed us to make continued improvements to our website and apps to meet our customers' preference for digital self-service.

Listening to our customers

Through our Voice of the Customer continuous listening program, we analyse approximately 280,000 pieces of feedback from our Australian customers each year. Our mandate is to turn customer insights into actions.

We have recently invested in a more advanced research platform which gives us greater insights into customer behaviours, feedback and their service experience. We also implemented a process to follow up any feedback through the Voice of the Customer program and resolve customer enquiries.

Listening to our customers has helped us to improve customer satisfaction, reduce the number of complaints we receive and enhance our products and services to improve the overall experience. In FY19 we used feedback to inform a number of initiatives for our Australian customers, including:

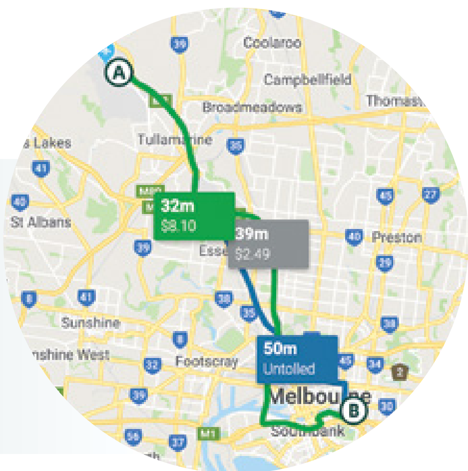
- increasing the functionality of our digital platforms to allow customers to add vehicles to their account; pay a toll notice; order new tags; and access their statements and financial history online or via their mobile device
- proactively notifying customers of potential issues with their account
- improving our assurance processes to help us identify and address the root cause of customer pain points.

We also updated some of our products and services such as our Trip Compare online tool that allows drivers to make an informed choice about using a toll road (refer to Figure 5). It is available in Sydney and Melbourne on the Linkt website.

Figure 5: Trip Compare online tool

Our Trip Compare tool offers transparency to customers

	Tolled trip	Untolled trip
	18 traffic lights	59 traffic lights
	2.1L fuel used	2.5L fuel used
	5kg emitted	5.8kg emitted



12 *Australian customer data only, does not include North America*

Customers benefit from toll enforcement changes

For two years we have been working closely with state governments in Australia to make changes to toll enforcement processes that help keep customers out of trouble. The program of work included:

- sending proactive notifications to customers sooner
- providing customers with more time to pay their tolls
- issuing fewer fines
- reducing fees.

Each of these actions has contributed to lower rates of infringement for customers. For example, changes implemented as part of the West Gate Tunnel Project Agreement have reduced infringements in Victoria by 45 per cent.

While this program has reduced fee revenue, it is part of our continued focus on listening and responding to customers.

Enhancing digital experience in North America

In FY19, we refreshed our customer-facing tools for our North America Express Lanes brand—updating our website, mobile app and customer materials to make it clearer for customers where they need to go to pay a toll, plan a trip or ask a question. We also developed a new mobile app to make it easier for customers without accounts to pay for tolls. The mobile app launches in FY20 and will be our first retail product in the Greater Washington Area. In Montreal, we are also developing solutions for infrequent customers to pay tolls without an account.

Mobile app developed for our customers in the Greater Washington Area—to be launched in FY20

Case study

...9,700 visitors to Linkt Assist website...

Linkt Assist

In FY19 we launched Linkt Assist, our first dedicated team to support Australian customers experiencing social or financial hardship.

The team was established after extensive consultation with the financial counselling, legal assistance and community welfare sectors and builds on our long-standing hardship policy.

Linkt Assist has a dedicated website hub which includes information and tools to make it easier to get help and use our roads without incurring unnecessary fees and fines.

Through the Linkt Assist consultation process, we identified an opportunity to create a foundational Financial Inclusion Action Plan (FIAP).

Our FIAP will detail the steps we are taking to build the financial capability and economic security of our customers and employees, while also working to create accessible services and remove barriers to employment.

We look forward to launching our plan in August 2019.

12
projects progressed or opened to traffic

72
grants and partnerships supporting local communities

2M
plantings on West Gate Tunnel and WestConnex projects

Strategic focus areas and UN SDGs relevant to this section

Community

Our roads and construction projects provide vital transport connections to ensure our growing cities continue to thrive and local neighbourhoods are relieved of heavy through-traffic.

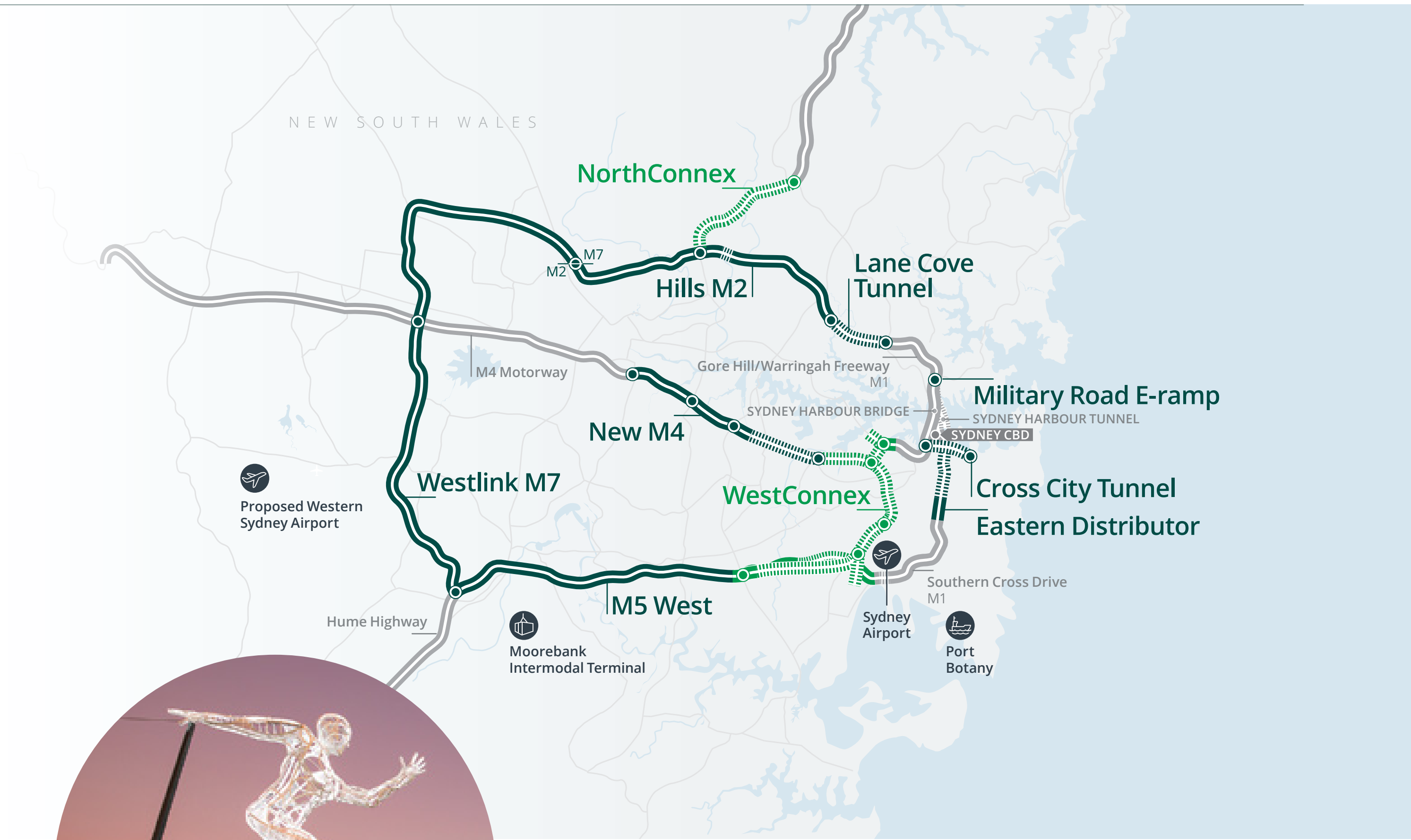
These projects not only create jobs during construction, but improve productivity by providing easier access to goods and services through direct connections and more travel options.

We recognise that a good transport system must include efficient roads and well-connected, easily accessible and reliable public transport, along with safe routes for walking and cycling.

The nature of operating road infrastructure means Transurban has contact with the many diverse communities that border and benefit from each road.

These relationships span the length of a road concession, which can be decades long. For us, it's important to foster positive and sustainable relationships with each community.

In this section we highlight how we are providing transport connections while working with communities to improve social, economic and environmental outcomes.



Project updates

NorthConnex, Sydney

This project will be a twin nine kilometre tunnel linking the M1 Pacific Motorway to the Hills M2. Due for completion in 2020, NorthConnex will provide a route free of traffic lights from Newcastle to Melbourne. Up to 5,000 trucks are expected to be removed from Pennant Hills Road every day. The project is creating 8,700 jobs across NSW.

FY19 milestones:

- Major tunnel excavation was completed in October 2018.
- Final spoil from tunnelling was delivered early to Hornsby Quarry in January 2019. Hornsby Shire Council will redevelop the quarry into a community parkland.
- Paving underway with more than 85 per cent complete[13]. Surface road works have added two new lanes at the northern interchange at Wahroonga.
- The motorway control centre and northern ventilation facility topped out, reaching their full building height.

Infrastructure Sustainability rating

- Design: "Leading"

WestConnex, Sydney

As Australia's biggest road infrastructure project, WestConnex is being delivered in four stages and, once complete, will provide a 33-kilometre-motorway network transforming travel in Sydney's western and south-western suburbs. The project is part of the NSW Government's long-term transport plan and will move traffic and heavy vehicles underground, away from neighbourhood streets. More than 10,000 jobs have been created as well as thousands of traineeships for Sydney workers. The project provides up to 18 hectares of open space for the community, as well as 23 kilometres of new and improved cycleways and walkways.

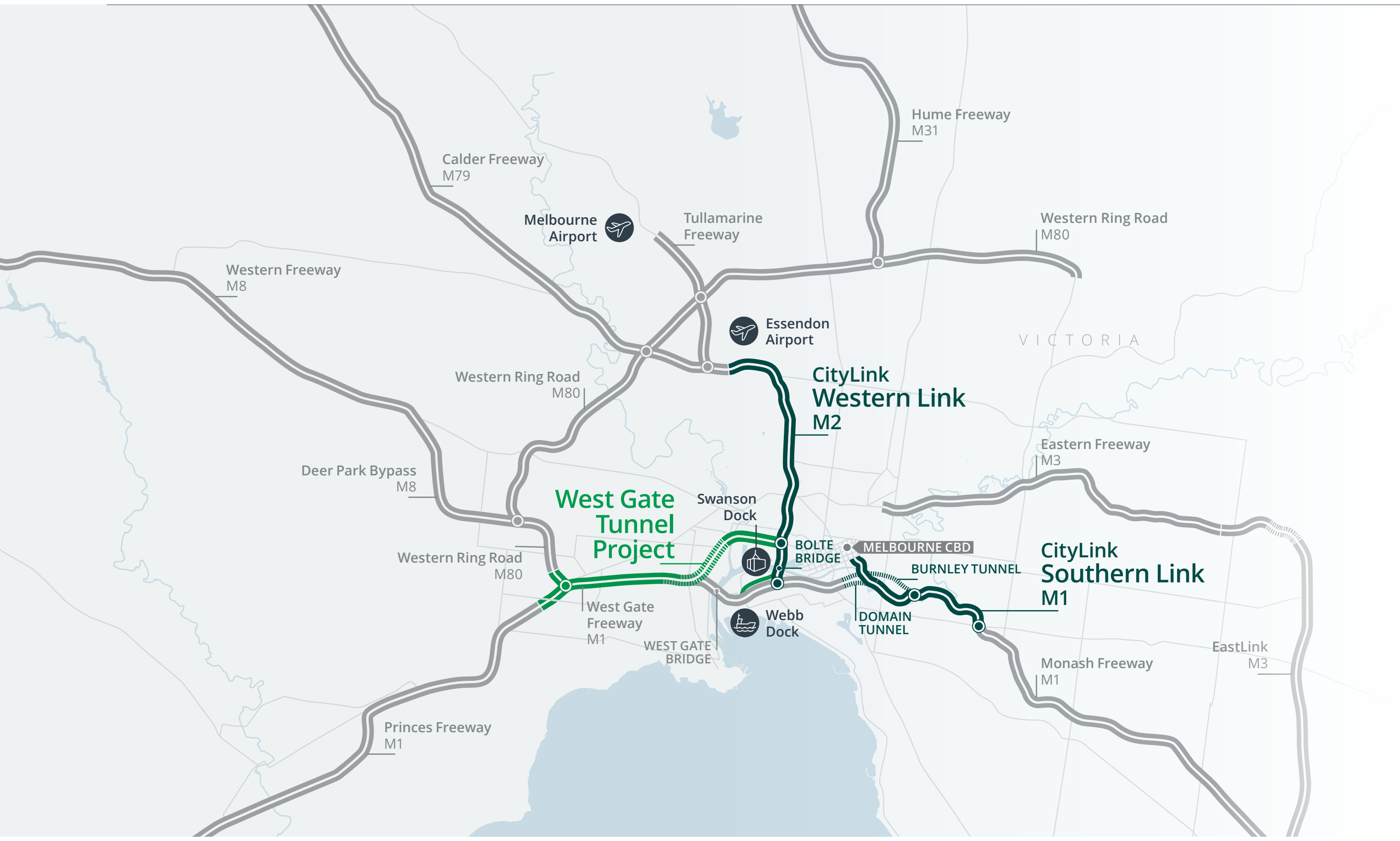
FY19 milestones:

- M4-M5 Link tunnelling works commenced with eight of 27 road headers now operating. Due to open in 2023.
- New M5 tunnelling works completed on the 9-kilometre twin tunnels. Paving works more than 95 per cent complete[13]. Due to open in 2020.
- Works well underway at St Peters Interchange including rehabilitation of the former Alexandria Landfill site.
- Delivery of legacy projects for New M4 including The Sprinter statue, which became a well-known Sydney artwork during the 2000 Sydney Olympic Games.

Infrastructure Sustainability rating

- M4 Widening As Built: "Excellent"
- New M4 Tunnels design: "Leading"
- New M5 design: "Leading"

13 Paving complete as at 2 August 2019



West Gate Tunnel Project, Melbourne

This project will provide a second river crossing between the western suburbs and CBD, providing a much-needed alternative to the West Gate Bridge. As well as removing up to 9,000 trucks off local streets in the inner west, the project will provide nine hectares of new parks, wetlands, cycle and walking tracks. Approximately 6,000 jobs are expected to be created by the project over five years of construction.

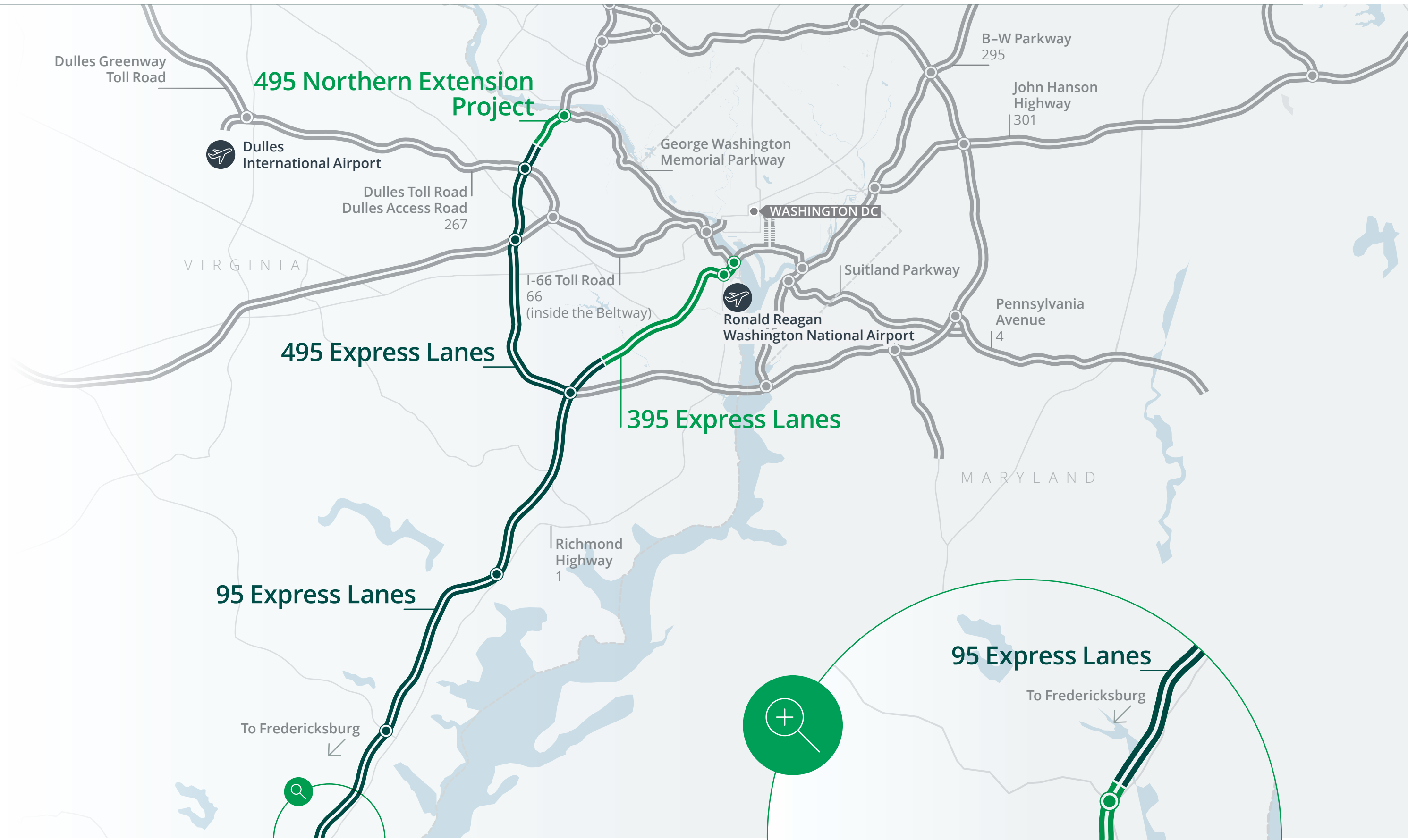
FY19 milestones:

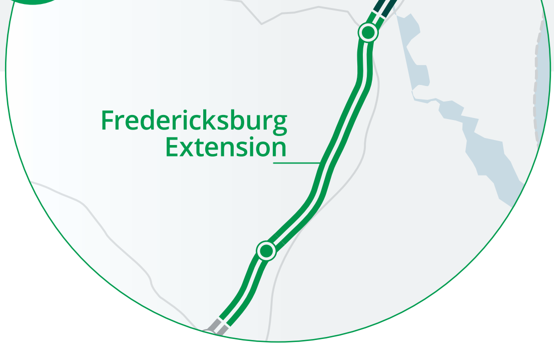
- Two tunnel boring machines arrived in Melbourne in early 2019 and are being assembled on site with tunnelling to start in the first half of FY20.
- A Community Information Centre opened at the site with more than 500 local residents attending the opening day activities in September.
- Construction completed on a giant shed, 180 metres long and 90 metres wide, that will store spoil from the tunnelling to protect nearby residents from noise and dust.
- About 3.5 kilometres of temporary noise walls have been installed to date, to protect residential properties from construction noise.

Infrastructure Sustainability rating

- Design and As Built aim: "Excellent"

One of the giant tunnel boring machines being assembled to start tunnelling on the West Gate Tunnel Project





395 Express Lanes, Virginia, USA

This project will extend the northern end of the 95 Express Lanes for 13 kilometres (eight miles) reversible to the Washington DC border and provide quicker access to major employment hubs at the Pentagon and Crystal City. The lanes are due to open in late 2019. The project will generate up to 600 new jobs during construction.

FY19 milestones:

- Completion of Pentagon South Parking Lot, delivering improved transit and commuter connectivity.
- Successful completion of the first three toll points.
- Project construction on schedule for customer opening in late 2019.

495 Northern Extension Project, Virginia, USA

A project to extend the 495 Express Lanes by 3.2 kilometres (two miles) north towards the Maryland border will provide further congestion relief for commuters through new connections to major commuter routes.

In January, Transurban and the Virginia Department of Transportation reached agreement on a development framework. The final project scope and timing is still subject to change.

Fredericksburg Extension, Virginia, USA

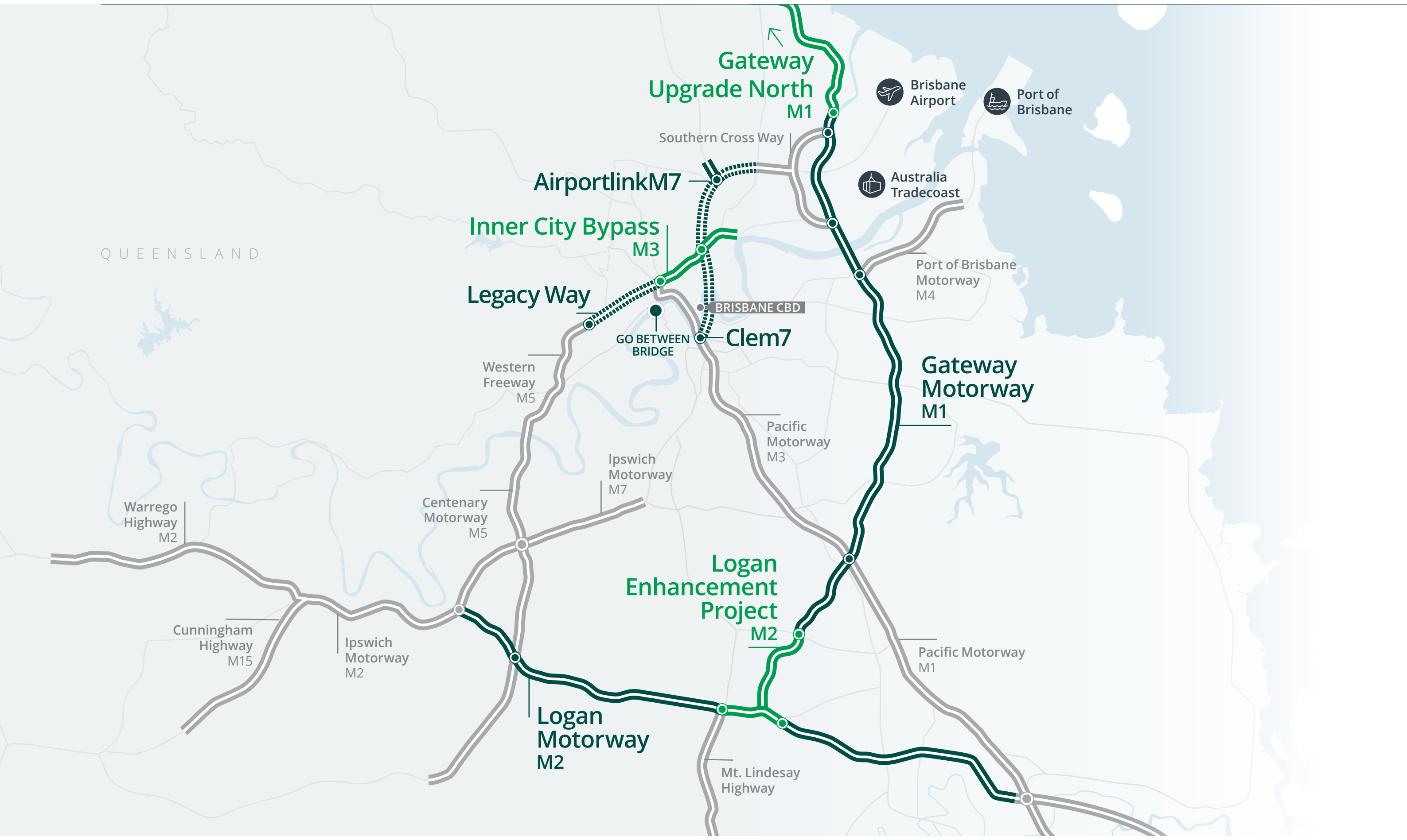
This project is extending the reversible 95 Express Lanes south by 16 kilometres (10 miles) along the I-95 median, to provide faster travel and easier access for residents and businesses along the corridor. This includes the 28,000 residents and employees of Marine Base Quantico, FBI Academy and Drug Enforcement Agency.

FY19 milestones:

- Final design progressed and contractor engaged.
- Ground-breaking ceremony was held in June 2019.
- Construction activities are underway.

Envision rating

- Design and Post Construction aim: Verified



Projects opened to traffic

New M4 Tunnels[14], Sydney

The New M4 Tunnels were the first underground section of WestConnex to be completed. The project connected the M4 and extended it via twin motorway tunnels, alleviating delays at the connection to suburban arterial roads. Bypassing 22 sets of traffic lights, the tunnels will provide more reliable trips for motorists and businesses.

Infrastructure Sustainability rating
- Design: “Leading”

Logan Enhancement Project[15], Brisbane

This project upgraded parts of the Logan and Gateway motorways to improve travel-time reliability, safety and connections to residential and business areas. Works included upgrades to key interchanges, new access ramps, road widening, new cycling and walking paths and better protection for wildlife. Travel times are expected to improve by up to 10 minutes in the afternoon peak and accidents reduce by 60 per cent.

Infrastructure Sustainability rating
- Design: “Excellent”

Gateway Upgrade North, Brisbane

This project upgraded the four-lane motorway between the northern suburbs of Nudgee and Bracken Ridge. Completed in March 2019, the project has reduced congestion along the northern section of the motorway while also improving the safety and efficiency across the network. The project, delivered by the Queensland Government with Transurban Queensland, included a new shared pedestrian and cycle path.

Infrastructure Sustainability rating
- As Built: “Excellent”
- Design: “Excellent”

Inner City Bypass, Brisbane

This upgrade delivered an additional lane in both directions in a section of the bypass as well as a new on-ramp and intelligent traffic management systems to improve safety and efficiency. Transurban Queensland funded and delivered the project, which was a Brisbane City Council initiative[16].

14 The New M4 Tunnels were opened to traffic on 13 July 2019
15 LEP completion works are underway and expected to be finalised in August 2019
16 IS rating not pursued due to project scale

Engaging communities

All of our projects are located within communities so it is imperative that we have strong and productive relationships with them.

We aim for a consistent approach to our engagement with communities based on three principles of being: open and honest, inclusive and genuine.

Each of our projects has a dedicated team which engages with the community through every stage of the project through face-to-face meetings, and digital and hard-copy communications. Their mandate is to ensure that we achieve positive outcomes wherever possible by listening and truly understanding the unique needs of each community.

Locals' feedback informs design

The $512 million Logan Enhancement Project is an example of community input directly shaping design.

The project is located in a Queensland Government-designated greenbelt linking the Karawatha Forest to the Flinders Range and is home to more than 200 species of wildlife.

To consider how to protect native animals and improve their movement around the road, Transurban Queensland formed an Environmental Reference Group. The group's feedback was given to tenderers during the development phase to inform their tender submissions.

As a result of their feedback, the following initiatives were included in the project—and completed this year:

- a fauna bridge over a busy local road to link forest areas
- nearly 25 kilometres of fauna fencing
- 40 fauna escape poles (located approximately every 400 metres across the corridor)
- retrofitting existing culverts to encourage the safe passage of animals under the road.

Partnerships and grants

As part of being a good neighbour to our communities, we strive to find ways we can make long-term, positive contributions through partnerships or investments.

Over the past 12 months we have implemented a new, consistent approach to social investment across our business. This ensures we are focused on activities that benefit the community in the most meaningful way possible.

Our areas of focus are: safe and accessible transport, local communities and education and training.

The program also includes community grants. In Australia, we awarded more than $180,000 to 42 community groups in FY19. In North America, more than USD75,000 was awarded to over 30 organisations and programs.

Case study

Driver's licences open pathways to education, employment and social connections.

Driving community connections

Independence and connections are two of the outcomes we are helping people to achieve by supporting driver training partnerships in NSW, Victoria and Queensland.

In Victoria, the Transurban DriveLink Program provides driving lessons to disadvantaged migrants and refugees in the City of Moonee Valley area to help them gain their licence. Since the program started, volunteer mentors have provided more than 1,250 hours of supervised driving, with 20 participants gaining their licence.

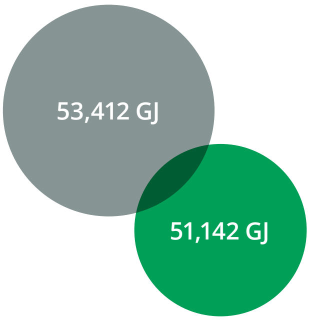
In NSW, we have partnered with the Salvation Army's Drive for Life program to help people aged 16 to 25 years get their driver's licence. The program is aimed at disadvantaged young people.

In Queensland, we partner with a program called Women at the Wheel, which helps refugees and migrant women in the Logan area learn to drive and in turn, improve their employment and social opportunities. Since starting in early 2018, the program has supported 18 women to access more than 150 driving lessons. Nearly half of these participants have successfully obtained their licence and the remaining women are very close.

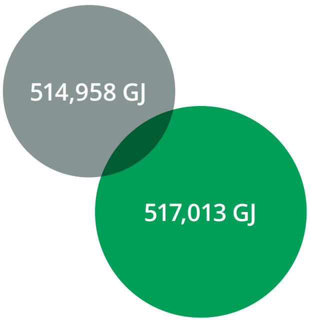
Energy[17]

● FY18 ● FY19*

Scope 1 (fuel)



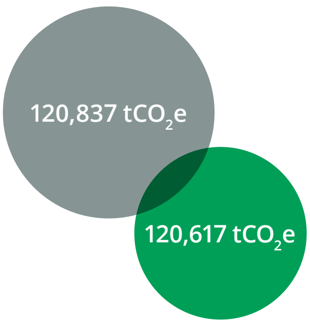
Scope 2 (electricity)



GHG emissions[17]

● FY18 ● FY19*

Scope 1 and 2



Minimising our impact

The reality of climate change means that it is more important than ever to manage our energy use and impacts on the environment. By reducing our consumption of resources, goods and services, we can create more efficient operations that reduce our greenhouse gas (GHG) emissions.

We have set targets to reduce our energy consumption by 10 per cent by 2023[18] (compared to 2013) and halve our GHG emissions by 2030 (compared to 2016) and we consistently look for opportunities in our operations to achieve those goals.

Energy and carbon

Our major energy needs are fuel (Scope 1) for operations and maintenance activities and electricity (Scope 2) for lighting, tunnel ventilation and operation of our offices.

In FY19 our Scope 1 and 2 energy use and GHG emissions remained stable despite growth in our business and a new acquisition, the A25 bridge in Montreal; and remained similar to the previous year. Across our existing asset base, upgrades to roadside equipment continue to drive improvement in energy efficiency as we seek to reduce the energy intensity of our operations through the delivery of several longer-term projects.

Electricity usage represents 97 per cent of our total emissions and we expect these emissions will decrease significantly over time as we continue to implement long-term energy reduction and renewable energy procurement initiatives. Detailed information about our emissions including individual assets is provided in the FY19 Sustainability Data and Climate Change Disclosures.

We have continued a two-year trial of an alternative ventilation strategy for the Clem7 tunnel, which has resulted in energy savings and, in turn, reduced GHG emissions. Full implementation has the potential to reduce axial fan run times by up to 40 per cent and GHG emissions of 1,049 tCO_2e* annually (refer to Figure 6).

While our GHG emissions reduction target focuses on our direct Scope 1 and 2 emissions, we are continuing to examine how we can reduce the impact of our Scope 3 emissions (indirect emissions linked to supply chain). Detailed supply chain analysis in FY19 has allowed us to report comprehensive Scope 3 emissions for the first time and forms the basis of ongoing engagement with our supply chain to build long-term partnerships and reduce the carbon intensity of our supply chain and target processes such as cement production.

We design and operate our roads in ways that reduce carbon emissions released by our customers' vehicle use. This means reducing vertical grades in road/tunnel designs to limit engine labouring and using our smart motorway technology to drive greater efficiency and to reduce congestion as emissions are higher in stop-start conditions. In FY19, we estimated that emissions from vehicles on our roads would be slightly less than 1,000,000 tCO_2e* (refer to Figure 7).

Figure 6: Clem7 ventilation trial savings*

	GJ	tCO_2e
FY19	4,202	922
Total trial (to date, end FY19)	5,133	1,126
Forecast annual	4,782	1,049

Figure 7: FY19 Scope 1, 2, 3 and customer emissions*[17]

	tCO_2e
Scope 1	3,540
Scope 2	117,077
Scope 3	617,503
Customer emissions	993,961

17 Operational assets only, totals exclude M5 and M7. WestConnex data not included in FY19, will be included in future years as projects become fully operational. Total emissions are net "market-based" emissions including GreenPower reductions

18 The 2013 baseline was updated in 2016 to include all new assets at that time. No new assets will be added to this baseline

Air quality

Poor air quality can impact the liveability, health and safety of communities so maintaining good air quality is vital—particularly on our roads and projects.

Tunnels can help reduce air pollution by moving traffic off roads where people live and work, putting vehicles underground. For example, our NorthConnex project is expected to remove around 5,000 trucks off Pennant Hills Road daily.

In a tunnel, vehicle emissions can be controlled and dispersed more effectively. They are also monitored to ensure standards are met.

On all our tunnel projects we are monitoring air quality around the site to understand current local conditions. This will help us measure any changes to local air quality once a tunnel opens.

Transurban is required to meet stringent air quality measures within our operational tunnels, which are reported to and enforced by the relevant environmental authority in each state.

Air quality monitoring includes in-tunnel conditions, ventilation outlet emissions, and ambient air quality around tunnel portals. Air quality data and links to detailed public reporting are provided in the FY19 Sustainability Data and Climate Change Disclosures.

In FY19 Transurban fully complied with all air quality monitoring requirements and annual emissions from our operational tunnels were about a tenth of regulatory limits.

Greener roads to improve air quality

Plant 'breathing walls' have been installed on two of our Sydney motorways—Hills M2 and Eastern Distributor—in a six-month trial to test their impact on air quality.

We have partnered with Sydney business Junglefy, which creates the plant walls to filter air pollutants. While the walls have shown much promise in the laboratory for improving urban air quality, the trial will provide real-world feedback.

Once the trial is complete in late 2019, the University of Technology Sydney will release a scientific paper discussing the performance. We will then consider the results to determine next steps.

Native trees and shrubs are transforming a disused site on the M2

Local ecology

Restoring the natural environment along our motorways and projects is important to local communities and to Transurban. In Melbourne we will be planting more than 170,000 trees and a million shrubs and around nine hectares of parks and wetlands as part of the West Gate Tunnel project. Twelve local schools have joined in the project's mulch recycling program, reusing trees cut down during construction for playgrounds and landscaping.

In Sydney more than 18 hectares of new recreational green space will be created as part of the WestConnex project while more than 900,000 trees and shrubs will be planted.

We also look for opportunities to regenerate disused sites next to our motorways that have the potential to improve or protect local biodiversity. We have partnered with Landcare to regenerate two areas—the Power Street loop site in Melbourne and a five hectare site alongside the M2 in Sydney.

In Sydney, as tubestock grows into mature plants, fauna is expected to return to the site from the adjacent Lane Cove National Park. At the Melbourne site, a May 2019 Landcare survey showed weed cover had significantly decreased and nine bird species had been attracted to the site.

WGEA
Employer of Choice citation

9K+
workforce

50%
female senior executives

Strategic focus areas and UN SDGs relevant to this section

Our people

We achieve success as a business by enabling the performance and achievements of our people.

Transurban's direct workforce is made up of around 3,000[19] people, however our day-to-day operations and major infrastructure projects rely on a much larger workforce. In total, over 9,000[20] people work as part of our broader workforce across construction and business operations.

Through our people, we aim to create a resilient and adaptive culture—underpinned by personal accountability and corporate responsibility—where diversity of thought is valued.

Leaders at every level within the business are custodians of this culture and are expected to create an environment where people have equal chance to excel.

In this section we highlight how we create a safe and supportive workplace for our diverse workforce and facilitate productive and adaptive teams.

19 Direct workforce includes over 1,500 direct employees and temporary workers and over 1,400 workers contracted through our partner organisations primarily in customer service, technology and business operations

20 Excludes WestConnex and A25 workforce. WestConnex will be included in FY20 data

Belonging and wellbeing

Our workforce has a diverse skillbase so creating a culture that supports and develops all of our people is critical to our success. This year we have introduced a 'continuous listening' platform and approach, which enables us to engage more regularly with our people to better understand what is important to them.

Measured through this new platform our employee engagement is at 70 per cent and so far employees have told us that they want us to remain focused on creating an environment where they can be themselves, feel respected and that they belong. They also want to know they have an equal chance to succeed. By gaining regular feedback from our employees, we can maintain a flexible approach to these focus areas and ensure we are meeting their expectations.

Gender equity

We remain committed to gender equity, including pay equity, within the business.

The work we have done to improve gender equality has been recognised by the Australian Workplace Gender Equality Agency (WGEA), which has issued Transurban with its Employer of Choice for Gender Equality citation for five consecutive years. We review gender pay annually and continue to maintain a pay equity gap of less than one per cent.

Mental wellbeing

When it comes to wellbeing, a key area of focus is our employees' mental wellbeing. To help create a healthy organisation, we have partnered with Australian group Heads Up, to provide a range of resources for employees and leaders to support good mental wellbeing.

In addition, we have run a range of mental-wellbeing awareness programs including 'Strengthening Resilient Mindset' and mindfulness workshops for employees and leaders. Almost 20 per cent of employees attended in FY19.

We have 37 trained Mental Health First Aid Officers across our business and information about these roles is clearly displayed in common spaces.

Domestic violence awareness

We recognise that we have a role to play in supporting a person who may be involved in a domestic violence situation. Our domestic violence support policy—including domestic violence leave—is available for all employees. More than 80 employees have participated in domestic violence awareness training, and as a business, we promote anti-domestic-violence campaigns, such as United Nations International Day for the Elimination of Violence against Women.

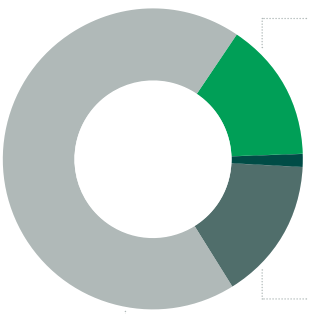
Health and safety

Everyone at Transurban is expected to help keep themselves and colleagues healthy and safe, while minimising our impacts on the environment. This year we introduced Health, Safety and Environment Action Plans, which required people leaders and their teams to outline how they take responsibility for ensuring a healthy and safe environment in their area.

In FY19, there were two employee recordable injuries equating to an employee recordable injury frequency rate (RIFR) of 0.81 recordable injuries per million work hours. This was above our target of 0.0. The injuries required medical treatment for wellbeing and ergonomic-related factors in the corporate environment. All injuries are investigated and the learnings applied to prevent future incidents occurring.

While WestConnex is not included in Transurban's overall metrics for FY19, the employee recordable injuries per million work hours was 0.0. We intend to include WestConnex in our overall safety metrics from FY20.

Total workforce



15.1%
Direct employees

1.5%
Contract workers
Directly engaged by Transurban

15.2%
Contract workers
Through partner organisations such as technology and customer operations

68.2%
Sub-contractors
Major construction projects

Workforce by gender

	Direct employees	Senior Executives (excl. CEO)	Board (incl. CEO)
♂ Male	59%	50%	67%
♀ Female	41%	50%	33%

♂ Male ♀ Female

Building capability

Continuous learning

Developing the skills and expertise of existing employees to reinforce our strong pipeline of talent is critical to our ongoing success.

This year we launched a new learning platform offering on-demand, digital content on a range of career development topics. This flexible approach to professional learning allows employees to take control of their own development and complete courses at their own pace.

...new platform offers flexible learning options...

Emerging talent

Through our partnerships with local universities we support emerging talent by offering scholarships, internships and vacation programs as well as a graduate program.

As part of these programs, we promote pathways to encourage women into non-traditional roles such as engineering and technology.

This year, 34 female undergraduates completed our Females Excelling in Engineering and Technology (FEET) intern program, which offers students hands-on experience and one-on-one mentoring.

34 female undergraduates completed our FEET program.

Leadership development

We have a range of development activities for our leaders including programs to support emerging and new leaders, through to continuing development for our senior leadership.

This year, we continued our partnership with international business school, INSEAD, and held our sixth colloquium for senior leaders. This year's focus was on innovation and lessons learned from other companies and institutions around the world.

Supporting our commitment to gender equality, we also run a Women in Leadership Program, which is now in its fifth year. In FY19, 15 current and emerging female leaders completed the program and an additional 15 started the program.

Case study

This is how we flex: what flexibility means to our people

88% of employees believe they have the flexibility to maintain a healthy work-life balance.

Michele

Andrew

Kubilay

Transurban encourages employees to manage their work in a way that makes sense for them. Employees can enter into a formal flexible work arrangement, or manage this informally with their team. Employees also have the option to purchase up to six weeks of additional leave each year through our Lifestyle Leave Policy.

In Australia, we have received the WORK180 Flex Able Certification and our North American business has been selected for the 2018 CARE (Companies As Responsive Employers) Award for the second consecutive year.

As part of our move into a state-of-the-art corporate headquarters in Melbourne we implemented technology designed to give all our people choice over where and how they work.

This is what three of our employees say about working flexibly at Transurban:

Andrew is a Senior Project Engineer working on major projects in Victoria and has a formal flexible working arrangement which lets him pursue his career as an Australian Football League field umpire while also working at Transurban.

"I'm not always in the office during the 'conventional' nine-to-five work day. When I travel interstate for games I am able to make use of Transurban's technology to work remotely, in an airport lounge, or in a hotel room at any time of the day."

This year, 11 per cent of people who took primary carer leave were men. One of them is **Kubilay** who works in our People and Culture Team.

"Having access to primary carer leave is a great benefit. Flexibility has allowed me to really embrace fatherhood and appreciate the new chapter I have created with my family."

Our Group Executive for the NSW Business, **Michele** has recently returned from 12 months' parental leave and has taken advantage of our flexible work practices to transition back to work.

While on parental leave, I received wonderful support to enable me to stay in touch with and keep across the changes that occurred in the business. Flexibility has allowed me to re-join the business progressively, striking the balance between being a parent and overseeing our busy NSW business.

Flexibility is one of the reasons that more than 97 per cent of our employees returned to work following parental leave in FY19.

12
projects progressed with Government partners in FY19

Road User Charging trial
east coast, USA

CAV
trials in all markets[21]

Strategic focus areas and UN SDGs relevant to this section

Government and industry

Public-private partnerships allow governments to deliver the infrastructure their communities need while focusing their own spending on other vital community services such as public transport, schools and hospitals.

We are proud that our proven track record in the successful design and delivery of major projects as well as the safe operation of toll roads has made us a partner of choice for governments.

We partner with governments to invest in new infrastructure and road upgrade projects—fast tracking projects that will benefit motorists and communities.

We also work with our industry partners on initiatives and activities that contribute to transport policy development.

In this section, we highlight how we are helping governments deliver their transport agendas and prepare their transport networks for a connected and automated future.

21 CAV trials have been completed in Melbourne, Brisbane, Sydney and GWA. GWA CAV trials were conducted in June 2018

Partnering to deliver governments' transport agendas

Last year, we progressed 12 projects with our local, state and federal government partners (refer to page 49).

We continuously look for opportunities to create mutually beneficial outcomes with our government partners.

Through our partnership on the Inner City Bypass Upgrade (ICB), the Brisbane City Council could reallocate its project budget to other priorities. In addition, the council will save $1 million annually by outsourcing the operations and maintenance of the ICB to us. The project will reap other benefits such as a significant improvement in incident response times and reduced congestion along the corridor and feeder roads.

Similarly in North America our focus on developing transport solutions for the Virginia Government has resulted in a toll-road network that has tripled in size since the 495 Express Lanes opened in 2012. In the past 18 months we announced USD1 billion in Express Lanes projects. These projects address some of the region's worst congestion by extending both the 495 and 95 Express Lanes to connect new business precincts and commuter routes together.

Mutually beneficial outcomes—one million cubic tonnes of spoil from NorthConnex project will help the Hornsby Quarry become a space that the community can use

Case study

Over 800 people attended the WestConnex New M4 community day.

WestConnex—partnership in practice

Australia's largest transport project, WestConnex, will transform Sydney, helping ease congestion in the city's fast-growing western suburbs and improve connections to the airport, port, inner west and CBD.

In August 2018, a Transurban-led consortium, called Sydney Transport Partners (also comprising AustralianSuper, Canada Plan Investment Board and Tawreed Investments) was announced as the preferred bidder for the sale of 51 per cent of the project.

Sydney Transport Partners demonstrated its commitment to partnering with the NSW Government, by highlighting its track record in collaborating with Australian governments to create positive outcomes for the community.

The NSW Treasurer Dominic Perrottet committed to reinvesting the $9.2 billion sale proceeds into other infrastructure across the State.

Transurban has operated WestConnex in partnership with the NSW Government since September 2018.

More than 800 people attended a community day in June with many having a sneak preview of the New M4 Tunnels.

Contributing to transport policy development

We regularly contribute to transport policy development through participation in state and federal government inquiries, industry thinktanks, and other thought-leadership activities. In FY19 we responded to several national and state-based inquiries and draft transport strategies including a Federal Government Parliamentary Inquiry into automated mass transit, the Queensland Government's 30-year Draft Transport Strategy and the National Transport Commission's phased reform agenda to support the introduction of vehicles with automated driving systems.

The Queensland Parliament's inquiry into the operation of the state's toll roads was the most significant inquiry for us in FY19.

The inquiry allowed us to demonstrate the value our toll roads provide and the improvements we have made to our customer service and complaint resolution processes. We took this opportunity to provide elected representatives and the broader community with technical information and customer data as well as practical case studies about the benefits of our toll roads.

Road-user-charging trials—east coast, USA

The development of road-user-charging policy remains a key focus for our policy engagement with industry and government.

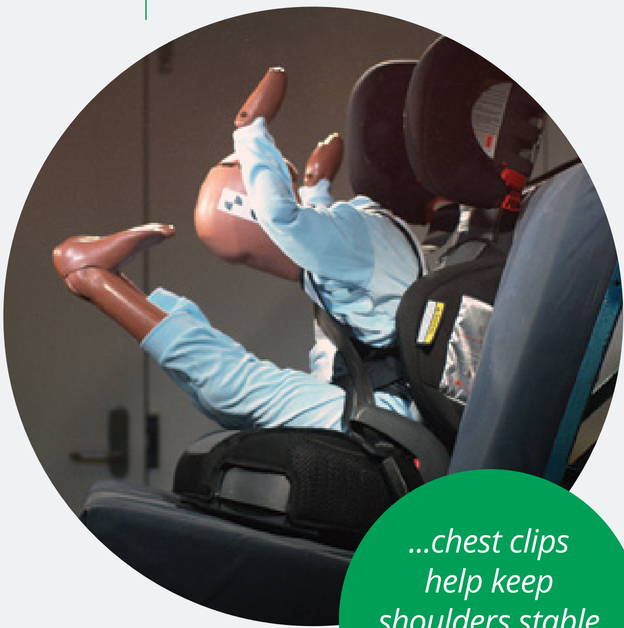
Building on our 2016 Melbourne Road Usage Study Report, Transurban is partnering with the I-95 Corridor Coalition to conduct a feasibility study of mileage-based user-fee charging. The partnership was awarded a grant from the U.S. Department of Transportation—forming part of the largest multi-state study in the eastern United States of user-fee charging—and will be the first to integrate dynamically tolled managed lanes.

The trial will involve 400 vehicle participants from Virginia and will provide insights into how a road-user charging system could operate in the state. Planning and technology development is underway with customer trials expected to start late FY20.

Encouraging electric vehicles in Canada

The Quebec Ministry of Transport, in partnership with Transurban, is testing a program that allows free travel for electric vehicles on our A25 bridge in Montreal. The program is just one component in a range of policy changes being trialled or implemented by federal and provincial governments to combat climate change.

Case study



...chest clips help keep shoulders stable in the event of a crash...

Partnering to progress vehicle safety

Our partnership with Neuroscience Research Australia (NeuRA) to establish the Transurban Road Safety Centre—brings together the research, business and government sectors to identify how changes to driver behaviour and vehicle design could reduce road trauma.

The first round of research completed in the world-class facility looked into the safety of chest clips on child seats. While widely used overseas, currently the clips do not pass Australian safety guidelines.

NeuRA researchers put the clips to the test in the centre's specially designed crash lab using state-of-the-art, child-sized-crash-test dummies. The research showed the chest clips helped to keep shoulders stable during a crash and, crucially, they did not come into contact with the neck area.

The findings will now go before the Australian Standards Committee, potentially leading to a change in the decades-old policy and making a demonstrable improvement to road safety.

Shaping the future of urban transport

To help inform policy discussions, we work with industry and government partners to undertake trials of new transport technologies. Through these collaborations, we have built strong relationships with a variety of national and international organisations, including government, auto manufacturing and technology sectors, as well as leading motoring bodies.

Connected and automated vehicle trials

Industry experts expect connected and automated vehicles (CAVs) to reduce road accidents by 90 per cent as well as improve transport accessibility for vulnerable community members. However, a lot of work needs to be done before these vehicles can be safely introduced on to roads.

This year, following trials in Victoria, we conducted trials of partially automated passenger vehicles in NSW (with nine vehicle manufacturers) and in Queensland (with seven manufacturers). Both sets of trials were run in partnership with the state governments and leading industry bodies, including the Queensland Centre for Accident Research and Road Safety and the Queensland Trucking Association.

Key findings from these trials pointed to areas such as certain types of line markings and road signage that may need to be addressed.

In North America, we partnered with the Virginia Department of Transportation and the US Federal Highway Administration to run connected vehicle trials on our 95 Express Lanes[22]. Express Lanes provide the ideal testing ground for emerging technologies, especially CAVs, as the lanes offer a controlled, high-speed environment with free-flowing traffic.

Full reports and video commentary from our trials are publicly available on our website.

Work-zone-safety initiatives

We are working with Australia's leading telecommunications provider, Telstra, on a proof-of-concept for remote-control traffic cones that would remove the need for road workers to manually place or move cones in traffic during road works or when attending incidents. Sensors in rumble strips will test the ability to communicate in real-time with workers via a wearable device such as a vest, which would light up, vibrate and sound an alarm when a vehicle enters the worksite, so they can get out of danger. The proof of concept will be tested in Melbourne and Brisbane later this year.

In North America, we are also exploring how remote and automated technologies could increase safety for workers, and ultimately our customers. We joined forces with Silicon Valley start-up Phantom Auto to test remotely operated vehicles on the 95 Express Lanes. We are also partnering with Virginia Department of Transport, Virginia Tech and DBi Services to advance the development of Automated Truck Mounted Attenuator technology that could take some road operators out of harm's way in the future.

Through our trials in North America, we are investigating if these technologies could pave the way to fully automated vehicles.

CAV trials

12,610

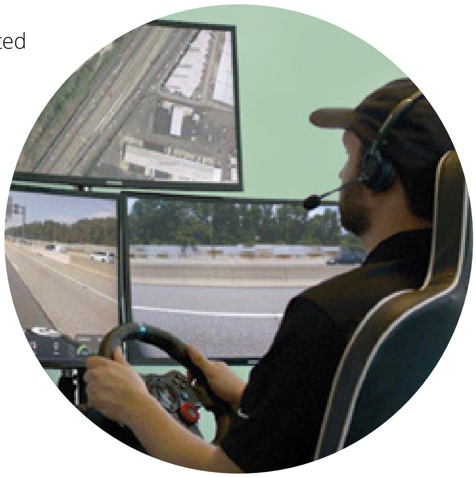
kilometres travelled[23]

17

vehicles trialled[23]

8,280

observations[23]



Testing of remotely operated vehicles on the 95 Express Lanes

22 North American CAV trials were conducted in June 2018

23 Data from NSW and QLD CAV trials

1,600+
direct suppliers

$1.85B
annual managed spend

USD
47M+
spent with certified social enterprises (North America)

Strategic focus areas and UN SDGs relevant to this section

Business partners and suppliers

With 17 assets and 12 projects progressed or completed this year, Transurban is in a strong position to make long-term improvements in how we design, construct, operate and maintain our roads. To do this, we rely on a large network of suppliers.

We know we can achieve more when we work together, so we collaborate with our partners to mitigate risks, and encourage socially, environmentally and economically responsible business practices.

In this section, we highlight how we work with a wide range of business partners and suppliers to deliver better outcomes and drive industry innovation.

Sustainable procurement

Our sustainable procurement program supports our hands-on approach to supplier management and helps better direct our spend in sustainable ways.

The program addresses key government policies and legislative requirements, such as the Commonwealth Modern Slavery Act and the Virginia Small Business and Supplier Diversity initiative.

We understand that the recently passed Commonwealth Modern Slavery Act may result in a range of responses from organisations across Australia. We believe that it is a complex issue that will need to be tackled over the long term. As such, we will work with like-minded industry partners to avoid taking a fragmented approach to the market.

In FY19, we started working with our suppliers directly to identify possible exposures to modern slavery and have joined the United Nations Global Compact Network Australia's Modern Slavery Community of Practice. We have also partnered with the Infrastructure Sustainability Council of Australia to establish the Modern Slavery Road Construction Industry Coalition to work towards a common approach to address shared risks in our supply chains.

Transurban North America has exceeded all major project goals set by the Commonwealth of Virginia to support small business and supplier diversity by utilising certified Disadvantaged Business Enterprise (DBE) and Small Women-owned and Minority-owned (SWaM) businesses. To date, we have spent more than USD866 million under these programs.

In FY19, we also set DBE and SWaM expenditure targets of USD84 million for the Fredericksburg Extension Project and USD100 million for our 495 Northern Extension Project.

Our Procurement Policy and Supplier Sustainability Code of Practice and Sourcing Toolkit are aligned with the International Guidance Standard on Sustainable Procurement (ISO 20400:2017). They are available on our website transurban.com/suppliers.

Connecting suppliers

Our network of suppliers includes a wide range of businesses—from large established commercial businesses to smaller social enterprises looking to grow.

In FY19, we joined Social Traders, who work to develop a connected community between buyers and certified social enterprises to generate jobs for disadvantaged Australians or address environmental issues.

One of the ways we add value to our suppliers is by connecting them with our other business partners.

Outlook Victoria is a social enterprise creating sustainable employment and connection opportunities for people with disabilities.

This year, Transurban worked with Outlook Victoria to identify how it could scale its business to meet increasing demand and service a greater variety of industries. Transurban connected Outlook Victoria with our business partner and multinational engineering firm, AECOM to develop its growth strategy and to consider and progress planning and approval requirements for future use of their site with relevant authorities.

We have arranged a similar shared-value partnership approach between Ability Works, a social enterprise providing employment opportunities for people with disabilities and those facing significant barriers to employment, alongside one of our business partners Aurecon, a global engineering, design and advisory company.

We will continue to look for opportunities to support both of these organisations and other opportunities within our supply chain such as provision of skilled support through our employee volunteering program.

Our partnership with Ability Works helps grow employment opportunities for people with disabilities

3.66

recordable injuries per million hours worked

128

tonnes of waste from street sweeping and drain cleaning was diverted from landfill and repurposed

Improving safety in our supply chain

Transurban's approach to positive Health, Safety and Environment (HSE) outcomes extends well beyond our own direct workforce.

We collaborate with our supply chain partners on proactive measures to identify potential hazards and incidents to ensure HSE risks are identified and mitigated before an incident occurs. We also record and respond to outcomes of incident investigations and communicate lessons learnt across our regions.

In FY19, a contractor recordable injury frequency rate (RIFR) of 3.66 recordable injuries per million work hours was recorded. This was below our contractor RIFR target of 4.31. Although WestConnex is not included in Transurban's overall metrics for FY19, the contractor recordable injuries per million work hours was 5.20, which is below their previous target. We intend to include WestConnex in our overall safety metrics from FY20.

Recordable injuries include lost time injuries, which lead a person to lose one or more full shifts from work and medical treatment injuries where medical treatment (other than first aid) is required.

New truck standards to protect vulnerable road users

The Victorian Government identified pedestrians, and cyclists' safety as an emerging issue in 2016 due to an increase in construction trucks in urban areas—a result of the large number of infrastructure projects in Melbourne.

Since then, working groups comprising representatives from Transurban and other industry sectors have met regularly to consider truck standards, route selection, traffic management and community engagement.

An opportunity was identified to develop and introduce new truck safety standards.

A number of changes have now been made to construction trucks on the West Gate Tunnel Project including protective barriers added to the side of the trucks to protect cyclists, blind-spot detection devices such as mirrors, cameras and sensors, audible left-turn warning systems as well as signs to warn road users of the danger of being too close to the vehicle.

Reducing our impacts

Building road infrastructure is resource intensive and generates waste which is why the design and construction of our major road projects provides the greatest opportunity to reduce the environmental impact of our business.

By ensuring we partner with environmentally responsible contractors, we are able to push for, and deliver, better environmental outcomes.

In Australia, a project must be designed to achieve an "Excellent" or above rating under criteria set out by the Infrastructure Sustainability Council of Australia. Contractors are then required to achieve an "Excellent" or above rating for the build of the project. This rating system also includes considerations of sustainability across the life of the asset.

For our major projects in the US, the project procurement process now includes a minimum requirement for contractors to achieve a rating using the Envision infrastructure sustainability rating system.

There is also significant potential to work with our operations and maintenance contractors to reduce the environmental impact related to operating our roads.

In FY19, Transurban started working with two of our operations and maintenance partners to divert 'waste' materials that would have ended up as landfill.

In Sydney, Transurban has partnered with Downer to recover and reuse material from street sweeping and drain cleaning. Over the year about 154 tonnes of material was collected and approximately 128 tonnes was diverted from landfill and 'repurposed' into reusable materials including aggregate, sand, organics suitable for composting, ferrous metals, and non-ferrous metals.

The aggregate and sand are used in asphalt production at Downer's Rosehill Asphalt Plant.

In FY19 in Melbourne, Lendlease Services and Transurban started working with Repurpose It to collect spoil and sediments from CityLink and process it into cleaned and washed sand as well as other aggregates to sell back into the construction industry. This will divert up to 80 per cent of this collected material from landfill annually.

In Montreal, we have reduced our reliance on salt as an anti-icing agent on the A25 bridge by using natural beet juice. Along with the environmental benefits, beet juice is more efficient and longer lasting. One lane-kilometre requires only 45 litres of the beet liquid solution, which contains 8kgs of salt, compared to between 80 and 120kg of salt in more traditional applications.

Case study

...targets identified to reduce emissions by 50–95%...

Rethinking cement production

Transurban has partnered with a leading Australian climate change thinktank, Beyond Zero Emissions (BZE), to set ambitious targets to reduce carbon emissions from cement production.

Cement production is a major contributor of carbon emission, accounting for about eight per cent of emissions globally.

BZE's research sets out strategies to reduce emissions from 50 to 95 per cent by 2030 to 2040.

Strategies include using renewable energy in manufacturing processes, greater and more consistent use of cement alternatives such as fly ash and steel slag and working with road agencies to review and harmonise specifications. Next steps include detailed engagement with manufacturers, construction companies and road agencies.

This partnership is part of our commitment to increase the use of recycled materials in our roads and work towards a circular economy. Information about our annual waste management performance is available in our Sustainability Data and Climate Change Disclosures.

2.0%
average daily traffic growth

12.3%
EBITDA growth[24]

5.4%
growth in distributions to 59 cents per stapled security in FY19

Strategic focus areas and UN SDGs relevant to this section

Investors

At Transurban, we recognise that for a business to provide value to investors, it must deliver more than just financial returns.

To ensure our business is in a position to deliver value over the long term, we must take a holistic approach and create value for each of our stakeholder groups.

Our relationship with these groups ultimately provides us with our social licence to operate—the unwritten contract between a business and the community to support its operations—and underpins the sustainability of our investment proposition. Throughout this report, we have outlined how we are working with each of these groups to create value for them.

In this section, we report on our FY19 financial results, capital management activities, and outline our near-term priorities, which support cash flow and distributions.

24 Proportional EBITDA excluding significant items

FY19 financial performance

Management considers proportional results to be the best indicator of asset performance and a reflection of the contribution from individual assets to the Group's operating performance.

Proportional results are the aggregation of the results from each asset multiplied by Transurban's percentage ownership as well as the contribution from central Group functions.

Note B4 to the Financial Statements presents further detail on the proportional result for Transurban Group, including reconciliations to the statutory result.

Group proportional results

ADT growth	**2.0%**
Revenue growth	**11.6%**
EBITDA growth[25]	**12.3%**
EBITDA margin[26]	**75.4%**

- Group revenue growth of 11.6 per cent was driven by traffic growth and contributions from the acquisitions of WestConnex, the A25 and the additional M5 West interests.
- Disciplined underlying cost growth of 2.0 per cent. Excluding foreign exchange impact cost growth of 0.7 per cent[27].
- Traffic growth of 2.0 per cent driven by a combination of assets impacted by construction, assets in ramp-up and mature assets across the portfolio.

25 Group EBITDA includes WestConnex, A25 and additional M5 West ownership since financial closes and excludes significant items

26 Excluding WestConnex, A25 and additional ownership of M5 West, Group EBITDA margin is 75.1 per cent

27 Excluding new assets and non-cash maintenance adjustment

Market updates

Sydney

ADT growth[28]	1.6%
Toll revenue growth	10.4%
EBITDA growth[29]	12.2%
EBITDA margin	82.0%

- Toll revenue growth of 10.4 per cent inclusive of New M4 and additional M5 West interests[30].
- Average daily traffic grew by 1.6 per cent with large vehicle traffic impacted by reduced construction activity in Sydney market.
- EBITDA margin increased from 80.7 per cent to 82.0 per cent in FY19.

40.4% of Transurban toll revenue

31.5% of Transurban toll revenue

Melbourne

ADT growth	3.1%
Toll revenue growth	4.2%
EBITDA growth[29]	4.0%
EBITDA margin	88.0%

- Toll revenue growth of 4.2 per cent driven by strong traffic growth post the CityLink Tulla Widening. The revenue increase was partially offset by the reduction to customer fees and improved processes that were rolled out as part of the transition to Linkt in July 2018.
- Average daily transaction growth of 3.1 per cent.
- Large vehicle traffic has increased 5.5 per cent outpacing car growth.
- EBITDA margin largely steady at 88.0 per cent despite reduction in revenue from customer fees.

28 ADT growth in Sydney includes traffic numbers for M4 prior to Transurban ownership and is shown for comparison purposes. M4 ADT is presented on a like-for-like basis to show underlying traffic growth

29 EBITDA presented is exclusive of significant items

30 Excluding M4 and additional M5 West ownership, toll revenue growth was 2.7 per cent. During FY19 Transurban acquired two additional equity interests in the M5 West of 8.24 per cent and 7.14 per cent taking its total equity ownership to 65.38 per cent. Financial close on the additional interests was reached on 18 September 2018 and 3 December 2018 respectively

Brisbane

ADT growth	**0.4%**
Toll revenue growth	**2.3%**
EBITDA growth[31]	**5.4%**
EBITDA margin	**73.1%**

- Toll revenue growth of 2.3 per cent was impacted by customer fee reductions with the full impact of changes now in effect.
- Average daily traffic increased by 0.4 per cent impacted by disruption from the Gateway Upgrade North (GUN), Logan Enhancement Project (LEP) and Pacific Motorway Upgrade. Excluding Logan and Gateway motorways, traffic growth was 3.2 per cent.
- EBITDA margin increased from 71.0 per cent in FY18 to 73.1 per cent in FY19.

North America

ADT growth	**2.4%**
Toll revenue growth	**45.0%**
EBITDA growth[31]	**61.1%**
EBITDA margin	**65.0%**

- Greater Washington Area toll revenue growth was 19.1 per cent.
- Traffic growth in Montreal strong at 6.0 per cent.
- Development in the Greater Washington Area is progressing with financial close on the Fredericksburg Extension completed in July 2019 and the 395 Express Lanes on schedule for customer opening in late 2019.
- EBITDA margin increased from 58.6 per cent in FY18 to 65.0 per cent in FY19.

31 EBITDA presented is exclusive of significant items

Capital management

Capital summary

- During FY19 $6.9 billion[1] of proportional debt was raised, further diversifying funding sources—capital markets debt issued at a weighted average maturity of 11 years and weighted average cost of 4.2 per cent[2].
- Maintained high weighted average maturity of 8.3 years despite incorporation of new WestConnex acquisition and construction facilities.
- Debt and equity funding program ongoing to maintain strong investment grade credit metrics.

Figure 8: Corporate debt maturities (at 30 June 2019)[3,4]

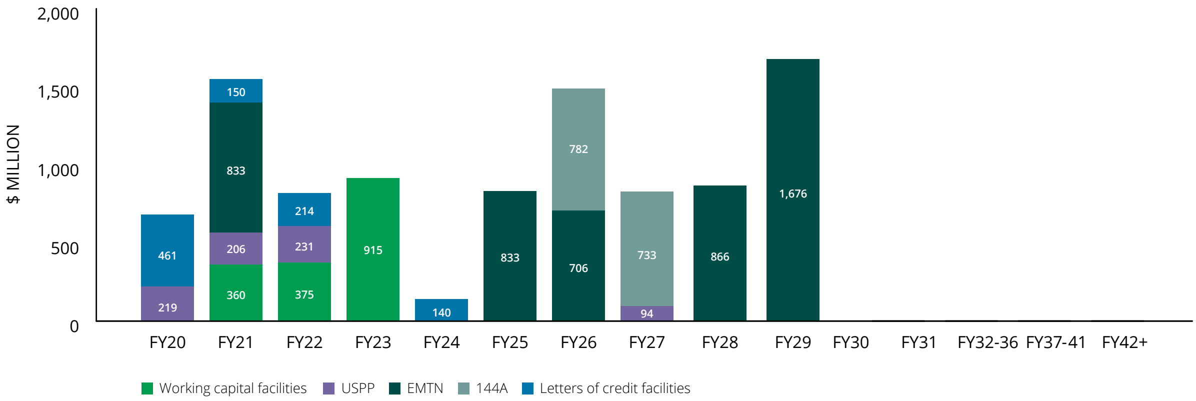
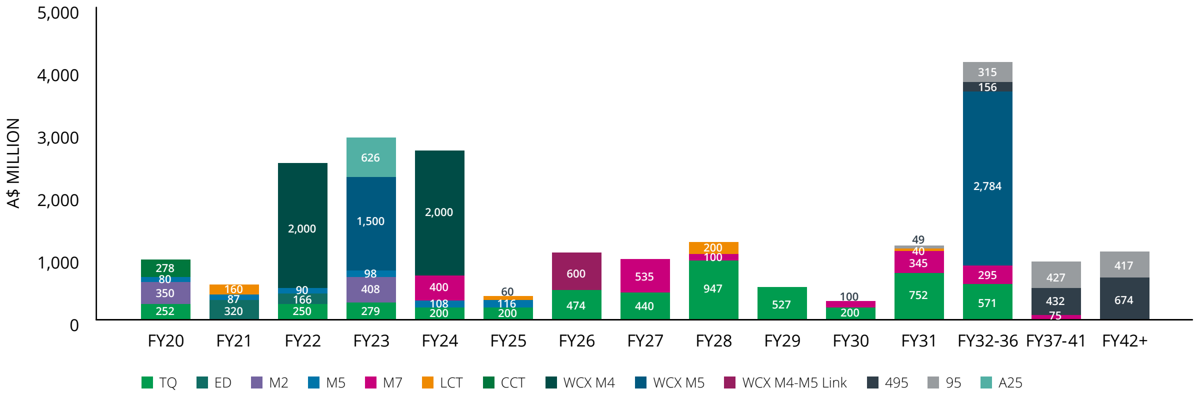


Figure 9: Non-recourse debt (at asset level) maturity profile[5,6,7]



1 *CAD, CHF, EUR, NOK and USD debt 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 and 0.7015 at 30 June 2019) where no cross currency swaps are in place. CAD debt is converted at the spot exchange rate (0.9771 at 30 June 2018 and 0.9182 at 30 June 2019) where no cross currency swaps are in place*

2 *Debt calculated on a proportional available facility basis, inclusive of letters of credit. Includes $1.5 billion of acquired WestConnex debt*

3 *The full value of available debt facilities is shown. Debt is shown in the financial year in which it matures*

4 *Debt values are shown in AUD as at 30 June 2019. CAD, EUR, NOK and USD debt converted at the hedged rate where cross currency swaps are in place. USD debt is converted at the spot exchange rate (0.7015 at 30 June 2019) where no cross currency swaps are in place. CAD debt is converted at the spot exchange rate (0.9182 at 30 June 2019) where no cross currency swaps are in place*

5 *The full value of available debt facilities is shown. Debt is shown in the financial year in which it matures. Scheduled amortisation of less than $25M are not shown for graph purposes*

6 *Debt values are shown in AUD as at 30 June 2019. CAD, CHF 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 (0.7015 at 30 June 2019) where no cross currency swaps are in place. CAD debt is converted at the spot exchange rate (0.9182 at 30 June 2019) where no cross currency swaps are in place*

7 *A$320 million tranche of the 495 debt will be refinanced in FY21, per the financing structure agreed with the sole holder, J.P. Morgan*

Outlook

The Board has set FY20 distribution guidance of 62 cents per security, which is an increase of 5.1 per cent on the FY19 distribution. This is driven by the underlying performance of our assets and contribution of development assets commencing full operation.

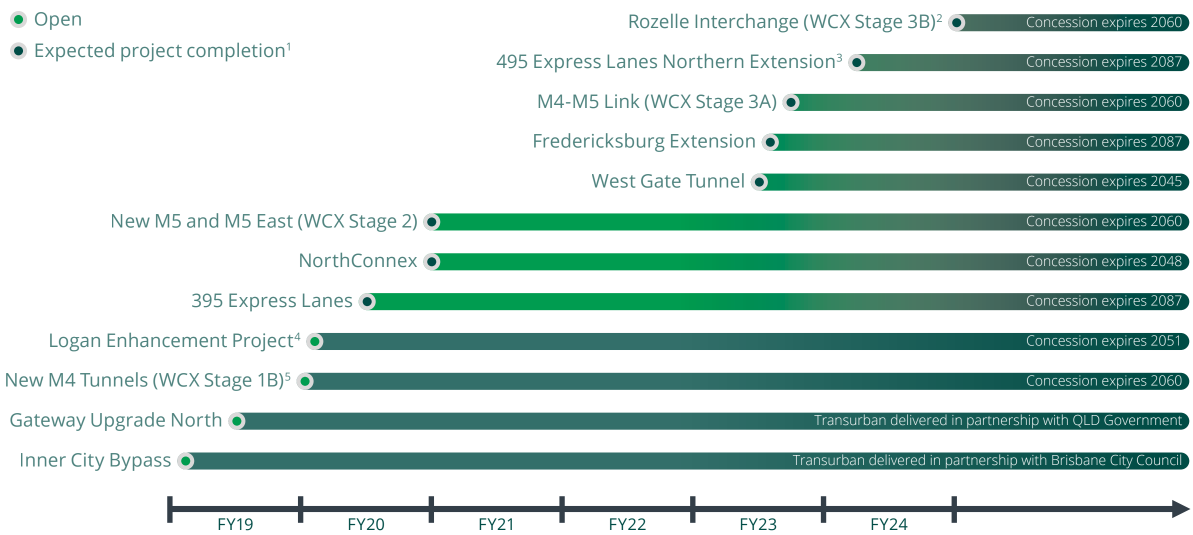
The near-term priorities for the business remain as to deliver committed projects, maximise performance of operations and enhance customer and community offerings.

In FY20 we will continue to work with our construction partners to advance the eight projects across Australia and North America due for delivery in the next five years (refer to Figure 10). The projects will give customers and communities better and more direct connections around cities, while also generating significant cash flow, allowing us to grow distributions for our investors.

While we are working on these projects, it is critical that we listen to, and understand the needs of each of the neighbouring communities as well as minimise the impacts of construction work.

Incremental enhancements to our assets and new and improved customer offerings will help us get the most out of our day-to-day operations. In particular, we are tapping into technology to develop offerings that will increase transparency and choice for customers and demonstrate the value of using our roads.

Figure 10: Four projects opened in FY19 and eight to be completed by FY24



1 *Project completion dates shown are approximations and are subject to final schedules. The Government completion estimate in any given jurisdiction is still the most appropriate estimate for media reporting and commentary*

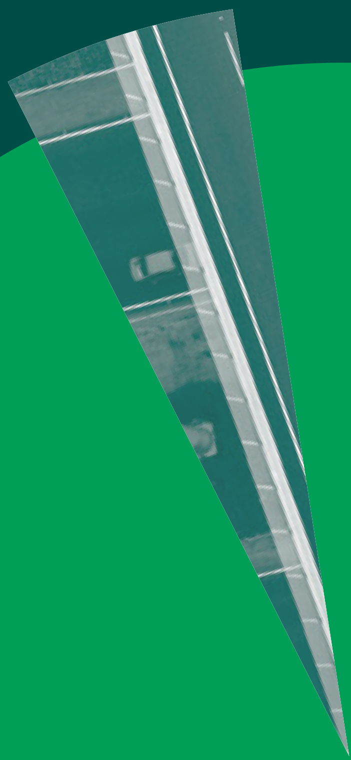
2 *Rozelle Interchange is 100% funded and delivered by the NSW Government*

3 *Project not yet commenced, development framework agreed with Virginia Department of Transportation, project scope and timing still subject to change*

4 *LEP completion works are underway and expected to be finalised in August 2019*

5 *The New M4 Tunnels were substantially completed in FY19 and opened to traffic on 13 July 2019*

Governance and risk



Governance

The Board[32] is accountable to security holders for the performance of Transurban. The Board's primary roles are to demonstrate leadership and provide overall strategic guidance for Transurban and effective oversight of management in implementing our strategic objectives and instilling our values.

The Board meets as often as necessary to discharge its responsibilities. Typically, this requires Board members to attend at least eight scheduled meetings each year, the Annual General Meeting, Committee meetings, and unscheduled meetings as required.

Board meetings are held in each of our regions. In addition to these meetings, Directors also attend regional activities, including briefings, asset or project site visits and presentations, and opportunities for employee and stakeholder engagement.

The Board also meets with Transurban's Executive Committee for biannual strategy sessions.

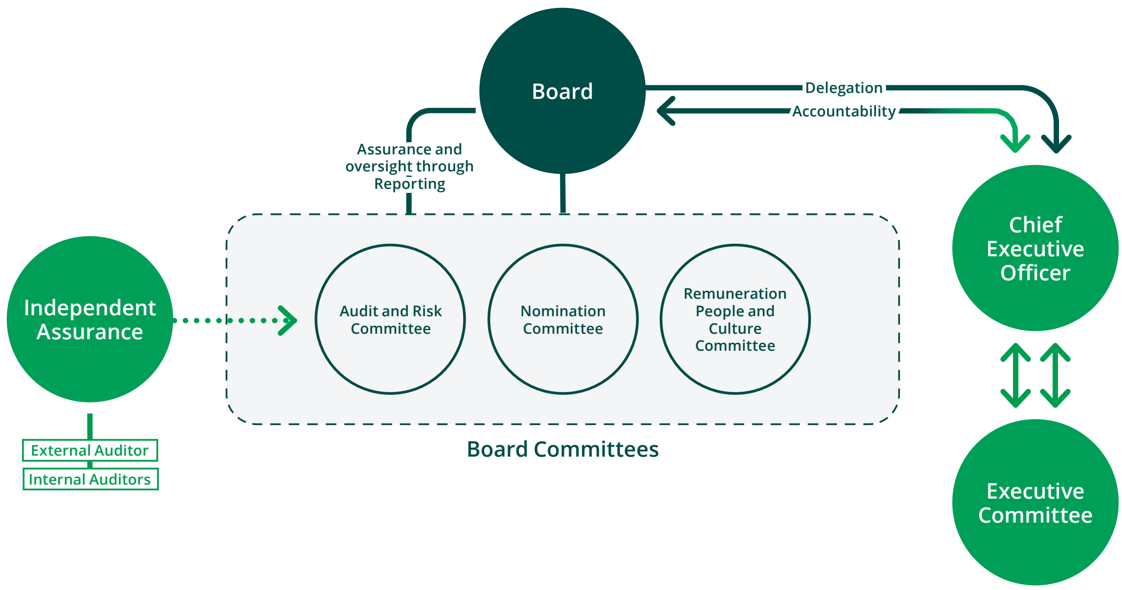
Directors are invited to participate in asset or project tours outside the scheduled Board program. These tours are an important element of each Director's induction and ongoing education and enable Directors to maintain the required deep understanding of Transurban's activities and operations within each region.

Throughout the year ended 30 June 2019, Transurban's governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition).

For more detail please see our FY19 Corporate Governance Statement available on our website at transurban.com/corporate-governance.

Transurban also acknowledges the release of the 4th Edition of the Corporate Governance Council's Principles and Recommendations, which will take effect for the year ending 30 June 2021. Transurban intends to early adopt the 4th Edition and report against it for the year ending 30 June 2020.

Figure 11: Corporate Governance Framework



32 The Boards of Transurban Holdings Limited, Transurban International Limited, and Transurban Infrastructure Management Limited as responsible entity for Transurban Holding Trust (together, Transurban) have common directors and meet concurrently, and are collectively referred to as the Board

Board of directors

Lindsay Maxsted

Dip Bus, FCA, FAICD—Age 65

Chair and independent Non-executive Director since August 2010 and March 2008 respectively

Chair of the Nomination Committee

Skills and experience

Lindsay is Chair (since 2011) and a Non-executive Director (since 2008) of Westpac Banking Corporation, and a Non-executive Director of BHP Group Limited and BHP Group plc (since 2011). He is the Managing Director of Align Capital Pty Limited and the Honorary Treasurer of Baker Heart and Diabetes Institute.

Lindsay was formerly a partner of KPMG Australia where he was CEO 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.

Scott Charlton

BSci, MBA (Texas)—Age 55

Chief Executive Officer and Executive Director since July 2012

Skills and experience

Scott joined Transurban from Lend Lease, where he held positions as Group COO and Group Director of Operations. Previously Scott held several senior positions across a range of infrastructure entities and financial institutions, including as CFO of Leighton Holdings Limited and Managing Director of Deutsche Bank in Australia and Hong Kong.

Scott is 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.

Mark Birrell

BEc, LLB, FAICD—Age 61

Independent Non-executive Director since May 2018

Member of the Audit and Risk Committee and the Nomination Committee

Skills and experience

Mark is an experienced Director with credentials spanning the private and public sectors. He has deep industry knowledge in the fields of transport, infrastructure and logistics. Mark is Chair of Post Super Pty Ltd (since 2013) and immediate past President of the Victorian Chamber of Commerce and Industry. His previous roles include Chair of Regis Healthcare Limited (2014 to 2018), Infrastructure Australia, the Port of Melbourne Corporation, Evans & Peck Limited, and Deputy Chair of Australia Post. He brings extensive legal experience and was National Leader of the Infrastructure Group at Minter Ellison.

Mark 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.

Neil Chatfield

MBus, FCPA, FAICD—Age 65

Independent Non-executive Director since February 2009

Member of the Audit and Risk Committee, the Remuneration, People and Culture Committee, and the Nomination Committee

Skills and experience

Neil is an established Executive and Non-executive Director with extensive experience across all facets of company management, and with specific expertise in financial management, capital markets, mergers and acquisitions, and risk management.

Neil is the Chair and a Non-executive Director (since 2011) of Costa Group Holdings Limited and Chair (since 2019) and a Non-executive Director (since 2018) of Aristocrat Leisure Ltd. Neil is also Chair of Launch Housing, a not-for-profit organisation.

He was previously the Chair (2012 to 2018) and a Non-executive Director of Seek Limited (2005 to 2018), a Non-executive Director of Iron Mountain Incorporated (2013 to 2017) and a Non-executive Director of Atomos Limited (2018 to 2019). Neil also previously served as Executive Director and the CFO of Toll Holdings.

Robert Edgar

BEc (Hons), PhD, FAICD—Age 73

Independent Non-executive Director since July 2009

Member of the Audit and Risk Committee, the Remuneration, People and Culture Committee, and the Nomination Committee

Skills and experience

Bob has over 30 years' experience as a senior executive, with 25 years at Australia and New Zealand Banking Group in various senior roles. He retired as Deputy CEO of the Bank in 2009.

Bob is a Non-executive Director of Djerriwahh Investments Limited and Linfox Armaguard Pty Ltd. He also serves as Chair of the Hudson Institute of Medical Research and was previously the Chair of Federation Centres Limited and a Non-executive Director of Asciano Limited (2009 to 2016).

From left to right

Robert Edgar, Mark Birrell, Scott Charlton, Jane Wilson, Lindsay Maxsted, Christine O'Reilly, Peter Scott, Neil Chatfield and Sam Mostyn

Samantha Mostyn

BA, LLB—Age 54

Independent Non-executive Director since December 2010

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

Skills and experience

Sam has significant experience in the Australian corporate sector both in executive and non-executive capacities, in particular in the areas of human resources, corporate and government affairs, sustainability management and diversity.

Sam is Chair and a Non-executive Director of Citigroup Pty Limited, and a Non-executive Director of Mirvac Group Limited. She is also a Director of the Sydney Swans Football Club and Chair of Carriageworks. She was previously a Non-executive Director of Virgin Australia Holdings Limited (2010 to 2019) and Cover-More Group Limited (2013 to 2017).

Sam is 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.

Christine O'Reilly

BBus—Age 58

Independent Non-executive Director since April 2012

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

Skills and experience

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 Chief Executive Officer of the GasNet Australia Group.

Christine is a Non-executive Director of CSL Limited (since 2011), Medibank Private Limited (since 2014) and Stockland Limited (since 2018). She is also a Non-executive Director of Baker Heart and Diabetes Institute. She was previously a Non-executive Director of Energy Australia Holdings Limited.

Peter Scott

BE (Hons), MEngSc, Hon FIEAust, MICE —Age 65

Independent Non-executive Director since March 2016

Member of the Audit and Risk Committee and the Nomination Committee

Skills and experience

Peter has over 20 years' senior business experience in publicly listed companies and a 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.

Peter is a Non-executive Director of Heathley Limited. His 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 (2014 to 2017) and Perpetual Limited (2005 to 2017) and a Non-executive Director of Stockland Corporation Limited (2005 to 2016).

Jane Wilson

MBBS, MBA, FAICD—Age 60

Independent Non-executive Director since January 2017

Member of the Remuneration, People and Culture Committee and the Nomination Committee

Skills and experience

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 is a Guardian of the Future Fund, Australia's Sovereign Wealth Fund, and a Non-executive Director of Sonic Healthcare Limited (since 2010) and Costa Group Holdings Limited (since 2019). She is also a Non-executive Director of the General Sir John Monash Foundation. Jane was previously a Non-executive Director of Opal Aged Care Limited and of the Winston Churchill Memorial Trust, and Deputy Chancellor of the University of Queensland.

Risk management

Identifying and managing risks is a crucial practice for any sustainable business. Effective risk management is essential to delivering value for our stakeholders and requires involvement from employees at all levels of the business.

We proactively implement strategies and contingency plans to manage risk, and assess the effectiveness of these activities through regular reviews so we can make changes where necessary.

Central to our approach is our Enterprise Risk Management (ERM) Framework. This provides guidance on the identification, assessment, management and escalation of risks to ensure that those with the potential to have a material impact on the business, are managed and escalated appropriately.

The ERM Framework is overseen by the Board Audit and Risk Committee and is actively managed by the CEO and Executive Committee in conjunction with senior managers. It includes a Risk Management Policy with guidelines, and outlines the level of risk that Transurban is prepared to accept, tolerate or avoid in the pursuit of its business strategy in a Risk Appetite Statement. The Risk Appetite Statement is reviewed by the Board annually and is critical in guiding our attitudes and behaviours towards risk.

We have a dedicated ERM software system that has been embedded into our daily operations to support the efficient and proactive management of risks. Responsibility for management and reporting of business risks and compliance is delegated to each employee. After identifying and assessing our risks, we then plan and implement responses to address the risks in line with our stated appetite. Our process is captured in Figure 12.

Figure 12: Enterprise Risk Management Process

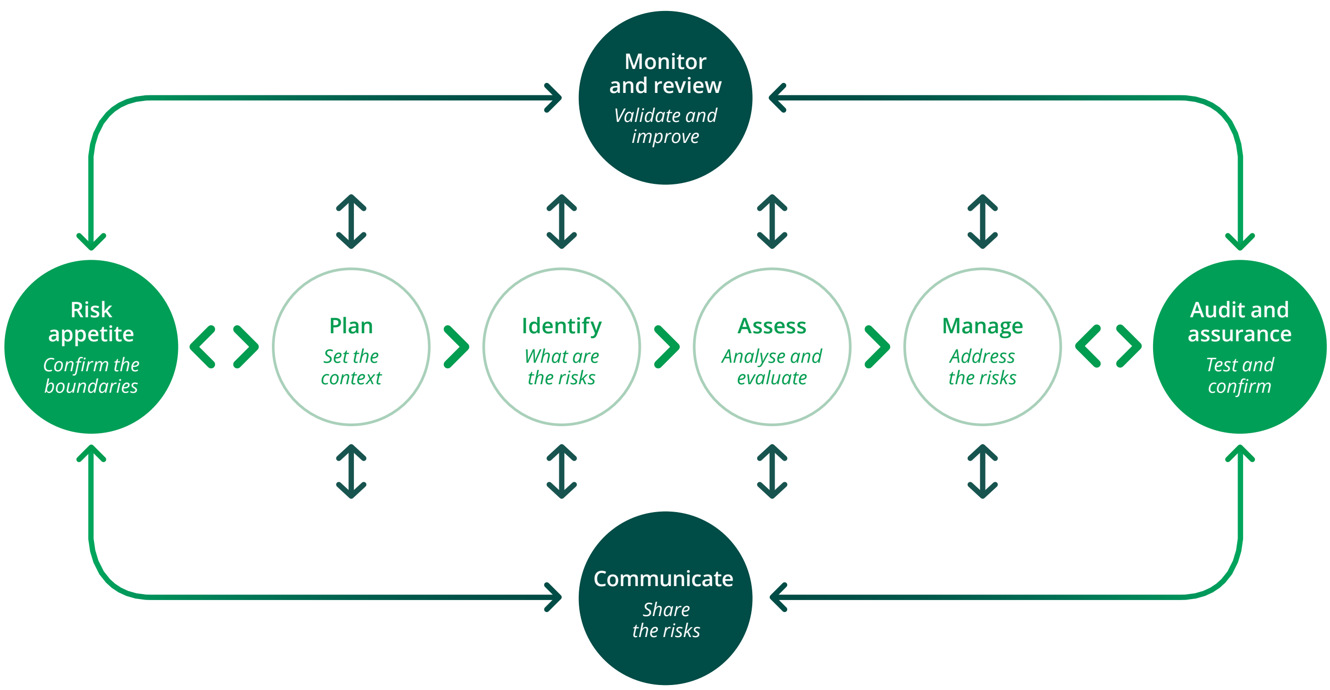
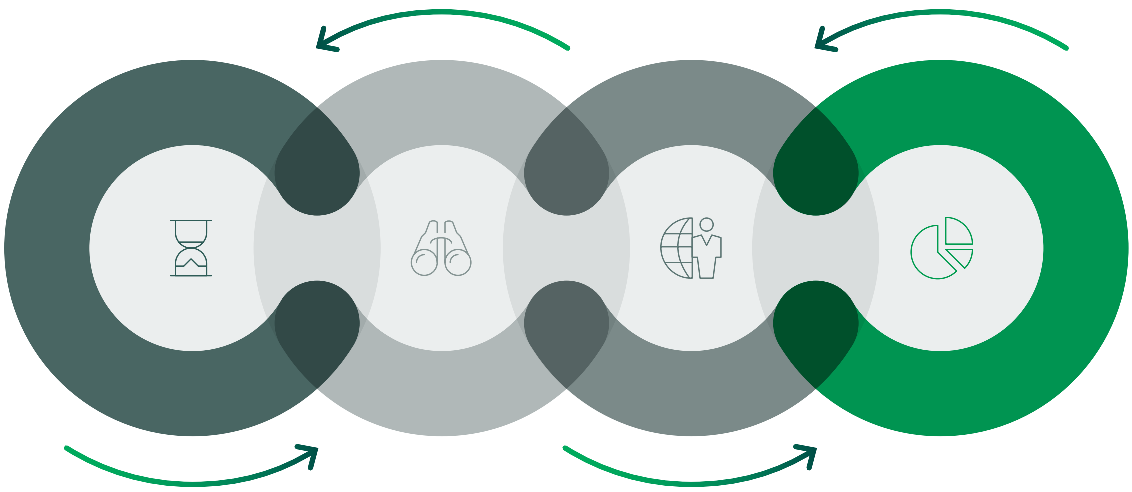


Figure 13: Our risk identification and review process covers the full spectrum of our activities



Reviewing how we manage risks

We undertake formal reviews of emerging, strategic and operational risks and their treatment strategies on a regular basis. The reviews span all levels of the organisation, covering road assets, projects, operations, functions, and markets from both business and strategic perspectives, while also considering internal and external influences (refer to Figure 13).

Any risks identified as material to the business are escalated to senior management and reported to the Board through the Audit and Risk Committee. Material and emerging risks of note are reviewed quarterly by the Audit and Risk Committee.

We also regularly review the effectiveness of our risk management approach and culture, making improvements where appropriate. Recent improvements include refinements to the Risk Appetite Statement, Risk Management Policy and related processes.

Key to the framework's effectiveness is regular communication and ongoing training and awareness programs. Learnings are shared across the organisation to facilitate continuous improvement and increase our business resilience.

Measuring the effectiveness of our approach

The ERM Framework is linked to our assurance and governance processes—with outcomes from our risk processes used to define areas of focus for internal audit. These reviews provide independent and objective assurance on the adequacy and effectiveness of our internal control environment and recommendations to improve efficiency.

Internal Audit is resourced by utilising a co-sourced approach consisting of an external (big four) service provider and a core internal team led by the Head of Internal Audit. This approach enables a balance of external experience and internal knowledge.

Internal Audit operates under a plan approved annually by the Audit and Risk Committee and has full access to all functions, records, property and personnel of the Transurban Group. Internal Audit administratively reports to the CFO and has a direct communication line to the Chair of the Audit and Risk Committee. The results of internal audit activities are reported to the Audit and Risk Committee.

Key risks—threats and opportunities[33]

Opportunities and description	Change in opportunity within year[34]	Example management responses
Harness technology and services to develop new projects and offerings Implementation of technology and mobile app platforms have presented the opportunity to rapidly respond to customer opportunities within the market and establish differentiators against our competitors.	—	• horizon scanning and emerging technology reviews • technology road map, including identification of suitable technology partners and solutions • strategic initiatives to test and pilot technology adaptations • community and customer engagement • continued investment in digital offerings including apps and features.
Leverage capabilities to enhance motorway networks Opportunity to enhance network development, including but not limited to core assets.	—	• harness knowledge and experience to drive operations and maintenance • ongoing focus on relationships with stakeholders • develop new service offerings utilising existing capabilities • develop network opportunities based off of a deep understanding of transport needs of our markets.
Sustainability initiatives to enhance road user and community experience Opportunity to further pursue sustainability projects to enhance social and environmental outcomes for communities and social licence credentials.	↑	• Customer Hardship Program and Financial Inclusion Action Plan • managed motorway risks such as pre peak-hour speed limit reductions to lower risks of rear-end crashes • Transurban Road Safety Centre at NeuRA research program • membership with Social Traders to identify opportunities to increase direct and indirect spend with certified social enterprises • Infrastructure Sustainability (IS) ratings for road assets • research and pilots of new technologies to reduce environmental impacts.
New business opportunities in our target markets Entry into new markets has provided opportunities to further grow the business and enhance existing assets and operations.	—	• focus on the right opportunities aligned to Transurban's business strategy • continue to build relationships with partners • demonstrate core capabilities and delivery credibility • maintain leading understanding of the transport needs of our markets.

↑ Up ↓ Down — Neutral

33 *Transurban's exposure to financial risks and the policies we have in place for managing that risk can be found in the Financial Risk Management notes—note B15 (refer to page 121). This section discusses our hedging policies, credit risk, interest rate risk and liquidity and funding policies*

Transurban considers the impacts of climate change as a potential contributing factor to many of our threats and opportunities. For more information on our climate change management strategies and our consideration of transition and physical risks refer to our TCFD on page 59 of this Report and page 20 of the Sustainability Data and Climate Change Disclosures

34 *Directional arrows are a general assessment only of the risk change over the year, detailed risk reviews as outlined on page 55 are undertaken regularly to ensure alignment with our risk appetite statement*

Threats and description	Change in risk within year	Example management responses
Maintaining our social licence to operate Failure to live the Transurban values when engaging with our stakeholders or failure to satisfactorily meet their needs could result in a loss of trust in our business, with implications for our reputation and business operations.	—	• continuous stakeholder listening program to enable practical business responses • proactive activities to enhance our social licence to operate • program of communication activities that engage all stakeholder groups.
Cyber security and information protection Failure of IT security controls or an ineffective response to a cyber incident could result in a disruption to operations, damage to equipment and/or loss of sensitive or personal data.	—	• cyber security framework, including data protection management and third-party data risk management • cyber training and awareness programs • business continuity planning • security assessments including penetration and resilience testing.
Unfavourable changes in the market or to operating conditions Key assumptions relating to the operating environment and/or budget forecasts may prove to be incorrect.	—	• strategic and emerging risks and mitigations identified and managed as part of the overall Risk Management Framework • ongoing regional and asset traffic analysis supplemented by third party data and/or review.
Failure of technical infrastructure Failure to adequately maintain or validate activities as required could lead to breaches of concession, possible safety risks and/or reputational damage.	—	• Transurban Asset Management System (TAMS) and associated processes • Supplier and Contractor Management Framework outlines requirement for regular audits, inspections and quality assurance assessments of contractors and sub-contractors • asset reviews and Internal Audit Program.
Changes in government policies or regulatory interpretations A change in government policy could impact on the ability to deliver the business strategy.	—	• contributions to policy discussions through submissions to government inquiries and draft strategies • engagement with at all levels of government—political and bureaucratic—to understanding policy positions and the potential implications.
Delivering our major projects to meet agreed outcomes Contractor performance or behaviour could lead to a failure to deliver projects on time and within budget resulting in reputational issues which could impact on future opportunities.	—	• due diligence throughout procurement and tender processes • Project Steering groups, Internal Audit Program and Program reviews • Enterprise Risk Management Framework incorporating project risk reviews • ongoing focus on relationship with current and potential suppliers including Senior Executive engagement with major contractors.
Ensuring the safety and wellbeing of employees and contractors Due to the nature of some of our work activities employees, workers and other stakeholders could be exposed to harm or suffer wellbeing issues if business controls fail to be adequate or due to third party behaviours. High risk activities include incident response, construction and operations and maintenance activities.	—	• safety reporting and management systems that enable detailed analytics • contractor management and engagement to ensure implementation of Transurban minimum requirements • ongoing development and enhancement of the Transurban health safety and environment (HSE) culture including delivery of mental health and wellbeing initiatives • HSE training and awareness including practical exercises.

↑ Up ↓ Down — Neutral

Key risks—threats and opportunities

Threats and description	Change in risk within year	Example management responses
Customer and road safety Failure to effectively manage road infrastructure and response to incidents could impact customer and road safety.	↓	• Australian Road Research Board (ARRB) assessment of the Australian network to determine International/Australian Road Assessment Program (iRAP/AusRAP) safety ratings • Monash University Accident Research Centre (MUARC) analysis of serious injury crashes on Australian roads • Road Safety Action Plans and Community of Practice (CoP) • continued focus on emergency response capabilities and delivery of emergency management exercises • Transurban Road Safety Centre at NeuRA research program.
Dependency on third parties and critical suppliers Loss of a key strategic supplier due to liquidation, legal action, buyout/competitive takeover, or performance issues could lead to a disruption in supply of a critical service to Transurban.	—	• due diligence throughout procurement processes • environmental scans and industry engagement • Supplier and Contractor Management Framework which includes requirements for Supplier Performance Management • ongoing delivery of Sustainable Procurement Program including preparation for Modern Slavery Act requirements and collaboration with suppliers to respond to potential risks within our supply chain.

↑ Up ↓ Down — Neutral

Figure 14: Our whole of enterprise risks

Opportunities

	Significant	Major	Moderate	Minor	Insignificant
Almost certain	—	—	—	—	1
Likely	—	—	—	2	1
Possible	—	—	6	6	9
Unlikely	—	—	—	2	1
Rare	1	—	—	—	—

Threats

	Insignificant	Minor	Moderate	Major	Significant
Almost certain	17	10	—	—	—
Likely	23	18	—	—	—
Possible	184	130	112	—	—
Unlikely	291	277	174	67	—
Rare	194	209	135	69	98

Numbers = Number of risks in our ERM system

Taskforce on Climate-related Financial Disclosures

As a road operator with assets across three countries and in both hemispheres, it is undeniable that the impacts of climate change will influence how we operate our business into the future. These impacts may be caused by significant physical changes to our climate as well as technology, market and reputation changes as global and national economies transition to low-carbon solutions.

Like all threats and opportunities, climate-related impacts are managed using our ERM Framework.

Consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFDs), we have reviewed our climate management processes to help us better identify, manage and respond to our most material climate impacts.

A key component of this review was using scenario analysis to confirm transition and physical risks that will have a short, medium or long-term impact on our operations. To make sure the full breadth of possible physical and transition risks were considered, three scenarios were selected and developed with advice from external experts (refer to Figure 15).

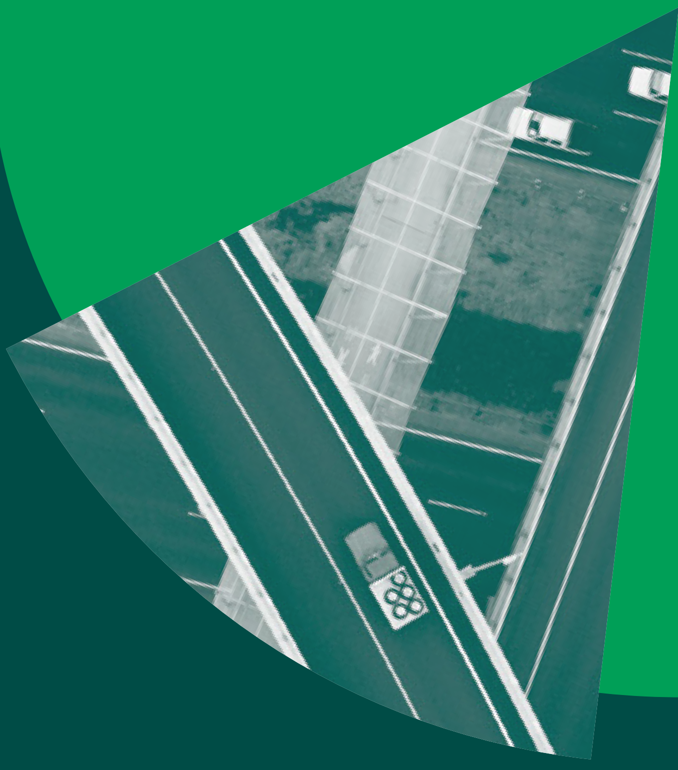
A summary of the review and our performance against the four TCFD categories: Governance, Strategy, Risk Management, and Metrics and Targets—as well as a description of the material threats and opportunities are included in the Sustainability Data and Climate Change Disclosures.

Addressing the TCFD recommendations is a key initiative in our recently revised Sustainability Strategy. This includes our continuing support of climate mitigation efforts and initiatives that reduce the emissions from our operations and contribute to our science-based emissions reduction target to reduce Scope 1 and Scope 2 greenhouse gas emissions by 52 per cent by 2030.

Figure 15: TCFD Scenarios

Scenario	TCFD scenario description
1.5 degree increase: government-led transition	Government-led rapid intervention to curtail greenhouse gas emissions with a high degree of 'penalty-led' regulation. The worst physical impacts of climate change are avoided in this scenario. Consumption declines.
2 degree increase: industry-led transition	Business-led greenhouse gas emission reduction, with supportive 'incentive-led' and market-based policy environment. Consumption increases, but it is only on a circular and green economy basis. Funding and investment supports new technologies that reduce use and demand for high carbon options, increase efficiencies and decreases resource consumption.
4 degree increase: current trajectory	Business as usual, with very limited regulation beyond that existing in 2018. Severe physical climate change impacts build from 2020. This means that consumption increases until 2025 and then starts a gradual but significant decline as systems collapse, supply routes are disrupted and health and safety issues take precedence over discretionary items.

Directors' Report



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 2019 ('FY19').

The controlled entities of THL include the other members of the stapled group, being TIL and THT.

The Directors' Report for FY19 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The Remuneration Report on pages 64 to 85 of this Corporate Report forms part of the Directors' Report.

Principal activities

The principal activities of the Group during the year were the building and operation of toll roads in Sydney, Melbourne and Brisbane, Australia, as well as in the Greater Washington Area and Montreal in North America. Further details of our activities are on pages 10 to 11 of this report.

Operating and financial review

A review of the Group's operations and the results of those operations during the year, including likely developments in future financial years, are on pages 12 to 59 of this report. Further details of the Group's results are provided in the Financial Statements on pages 88 to 185 of this report.

Directors' details

The Board of THL, TIML and TIL have common Directors. The names of Directors who served during or since the end of FY19 are:

- Lindsay Maxsted (Chairman)
- Scott Charlton (Chief Executive Officer)
- Mark Birrell
- Neil Chatfield
- Robert Edgar
- Samantha Mostyn
- Christine O'Reilly
- Peter Scott
- Jane Wilson
- Rodney Slater (retired 11 October 2018)

Details of each Director's appointment, qualifications, experience and special responsibilities, together with their recent directorships, are on pages 52 to 53.

Company secretaries

Amanda Street and Julie Galligan are Company Secretaries of THL, TIML and TIL.

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 20 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 20 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.

Directors' meeting attendance

The Boards of THL, TIML and TIL have common Directors and meetings are held concurrently. The number of meetings of the Board and each Board Committee held during FY19, and the number of meetings attended by each Director, are set out below:

	Board of Directors		Audit and 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 (Chairman)	11	11	6	#	5	#	3	3	3	3
Scott Charlton (CEO)	11	11	6	#	5	#	2	#	3	3
Mark Birrell	11	11	4	#	4	#	3	3	–	–
Neil Chatfield	10	11	6	6	5	5	3	3	1	1
Robert Edgar	11	11	6	6	5	5	3	3	–	–
Samantha Mostyn	11	11	3	#	5	5	3	3	–	–
Christine O'Reilly	11	11	6	6	5	#	3	3	1	1
Peter Scott	11	11	6	6	4	#	3	3	1	1
Jane Wilson	11	11	1	#	3	5	3	3	–	–
Rodney Slater (retired 11 October 2018)	5	5	–	#	–	#	1	1	–	–

 # Not a member of the relevant Committee

1 *L Maxsted, S Charlton, M Birrell, S Mostyn and J Wilson were not members of the Audit and Risk Committee but attended meetings as observers during the year*

2 *L Maxsted, S Charlton, M Birrell, C O'Reilly, P Scott were not members of the Remuneration, People and Culture Committee but attended meetings as observers during the year. S Charlton was excluded from discussions involving his remuneration during meetings that he attended*

3 *S 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*

Distributions

A distribution of 30.0 cents per stapled security will be paid for the six months ended 30 June 2019 on 9 August 2019. This takes the total distribution for FY19 to 59.0 cents per stapled security, of which 3.0 cents will be fully franked. Further details of FY19 distributions are provided in note B10 of the financial statements.

Significant changes in the state of affairs

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

- Acquisition of additional equity interest in Interlink Roads (M5 South-West Motorway)
- Group equity issuance in September 2018 to support investment in WestConnex through Sydney Transport Partners JV
- West Gate Tunnel Project legislation and associated parliamentary consents
- Commercial close of the Fredericksburg Extension Project.

Further information is provided in note B2 of the Financial Statements.

Events subsequent to reporting date

Details of any events that have arisen from 30 June 2019 to the date of signing this report 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 are provided in note B30 of the financial statements.

Indemnification and insurance of Directors and officers

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.

Environmental regulation

The Group's operations are subject to environmental regulation under both Commonwealth and State legislation. The Group is committed to achieving a high standard of environmental performance. The Sustainability Strategy—available on our website transurban.com—outlines our objectives, while our Risk Management processes provide regular monitoring of environmental exposure and compliance with environmental regulations.

Based on the results of enquiries made, the Board is not aware of any significant breaches during the reporting period.

Non-audit services and auditor independence

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*. The Group has an "External Auditor Independence" policy that 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 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 reporting 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 PwC 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.
- 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.

Details of the amounts paid for non-audit services are provided in note B33 of the Financial Statements. A statement of independence regarding the provision of non-audit services by the external auditor is provided on page 86 of this report.

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 Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors:

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
7 August 2019

Remuneration Report

This Remuneration Report forms part of the Directors' Report commencing on page 60.

Introduction from the Chair of the Remuneration, People and Culture Committee

Dear security holder

On behalf of the Board, I am pleased to introduce the Transurban Remuneration Report for the year ended 30 June 2019.

The report aims to provide our investors and other stakeholders with an understanding of the links between Transurban's strategy, our Group's performance and Executive remuneration, as well as the framework we have in place to ensure effective governance of remuneration matters. It provides a comprehensive overview of the remuneration strategy and framework and the resulting performance and remuneration outcomes for our Key Management Personnel (KMP).

It has been another outstanding year for Transurban with significant achievements across all aspects of the business. This year built on a period of sustained growth for Transurban, and included refocusing the business on three near-term priorities: delivering our committed projects; maximising the performance of operations; and enhancing customer and community offerings.

Our major achievements in FY19, which are expanded upon throughout this report include:

- Total Shareholder Return (TSR) of 31 per cent
- maintaining a strong balance sheet during a period of significant portfolio development
- continued distribution growth with FY19 distributions totalling 59 cents per stapled security (5.4 per cent growth year-on-year)
- 1.7 million trips made on our roads each work day, collectively saving customers 374,000 hours in travel time
- Proportional EBITDA growth (excluding significant items) of 12 per cent and 2 per cent underlying cost growth reflecting discipline in managing near-term priorities
- acquisition of 51 per cent of WestConnex in Sydney with our consortium partners
- WestConnex and A25 performing ahead of investment cases providing evidence to support sound investment decisions
- CityLink concession extension contributing more than three years to the Group's weighted average concession length
- four major projects opened to traffic: WestConnex New M4 Tunnels in Sydney; and the Logan Enhancement Project, Gateway Upgrade North and Inner City Bypass Upgrade in Brisbane
- dedicated customer hardship team, Linkt Assist, established and $15 million of fee reduction and process improvement initiatives delivered

The Remuneration, People and Culture Committee provides oversight of the performance and remuneration of Transurban's CEO and other Executive Committee members, along with the Group remuneration framework and incentive schemes. Our philosophy is to ensure that financial reward balances tangible performance with appropriate risk taking in order to create alignment with our various stakeholder groups.

The key principles underpinning our remuneration framework include:

- incentives based on financial measures and strategic objectives that are critical to sustained organisational growth and success
- due consideration of business and operational risk and the Group's values and culture through the design of performance objectives, clawbacks and the exercise of Board discretion
- incentives that provide sufficient stretch and motivation and also align the interests of executives to those of security holders
- a suitable balance between fixed, on target and at risk pay to reward outperformance
- vesting periods for deferred incentives and remuneration practices and outcomes that are fair and reasonable, taking into account stakeholder expectations.

Over the past 12 months, we have conducted a comprehensive program of listening and would like to thank those stakeholders who have taken the time to share their views regarding remuneration practices at Transurban. We continue to review our remuneration strategy and framework, taking into consideration such feedback, market expectations and regulatory developments.

We have also taken the opportunity to refresh this report. We have included a number of new sections designed to improve clarity and transparency. This includes a more detailed overview of our remuneration governance framework, remuneration strategy and disclosure of the CEO's individual Key Performance Indicators (KPIs).

We have also expanded our disclosure on methodologies relating to target setting, including: which metrics are used and why; how hurdles are determined to ensure sufficient stretch; and what factors the Committee and the Board take into consideration when determining performance and remuneration outcomes.

Alignment between performance and remuneration

Executive KMP

Short Term Incentive (STI)

In determining STI remuneration outcomes, the Board assesses a number of factors including actual financial performance measured against targets and individual KPIs. Individual KPIs include delivery against the Group's key focus areas of Strategy, Customer, People and Leadership, Operations and Development.

FY19 Financial Performance (actuals and % to target)

- Proportional EBITDA of $1,939m, which was 69.3% of target
- Net Costs of $450m, which was 149.7% of target reflecting the discipline in managing near-term priorities
- HSE of 88.3% of target

What did Executives receive

STI outcomes:

- the CEO received 102.7% of his STI opportunity (FY18 135.1%)
- other Executive KMP received between 87.3% and 133.4% (FY18 105% and 135.1%) with the exception of Andrew Head who received a once-off incentive of 150% of TEC

Long Term Incentive (LTI)

Two performance measures underpin the LTI plan including relative Total Shareholder Return (TSR) against a bespoke comparator group and Free Cash Flow (FCF) (each with an equal 50% weighting).

Before determining any vesting outcome, the Board reviews in detail the actual performance against the budget underpinning the targets. This review enables the Board to exercise its judgement in determining any vesting outcome by considering:

- whether there was sufficient and challenging stretch
- key reasons for any variance
- if adjustments may be appropriate

Further detail regarding FCF outcomes is on page 75 of this report. This details specific factors relating to management activities contributing to operational efficiency, improved customer experience, portfolio development activities and funding strategy.

Three-year performance to FY19

The FY16 LTI plan vested on 13 August 2018 (performance period 1 July 2015 to 30 June 2018) with the following results:

- TSR: Transurban ranked 14th highest out of 31 companies (56.6 percentile)
- FCF: 15.1% cumulative average annual growth rate in FCF per security over the performance period. The target range was 8% to 11% FCF growth per security.

What did Executives receive

% of units vesting:

TSR = 63.2%

FCF = 100%

Total = 81.6%

Fixed remuneration reviews were conducted with a small number of adjustments made. Overall, there was no general increase in remuneration for Executive KMP.

Non-executive Directors

As in FY18 there are no changes to our Non-executive Directors' fees. The next Non-executive Director fee review is scheduled for December 2019.

As a Board, we continue to set targets that reflect our focus on delivering returns to investors and long-term sustainable business performance. I trust you find this Remuneration Report transparent and informative in explaining our remuneration structure and approach.

Samantha Mostyn
Chair, Remuneration, People and Culture Committee

This report has been prepared and audited in accordance with section 300A of the Corporations Act 2001 (Corporations Act)

Who is covered by the Report

This report covers the key management personnel (KMP) of Transurban who have the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. This includes both the Executive KMP as well as Non-executive Directors.

The following table lists the Group's KMP during FY19. All KMP held their positions for the duration of FY19 unless otherwise stated.

Non-executive Directors KMP
Lindsay Maxsted, Chair
Mark Birrell
Neil Chatfield
Robert Edgar
Samantha Mostyn
Christine O'Reilly
Peter Scott
Rodney Slater (until 11 October 2018)
Jane Wilson

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 (until 27 September 2018)
Michele Huey, Group Executive New South Wales (from 17 September 2018)
Sue Johnson, Group Executive Queensland
Lisa Tobin, Group Executive Technology
Adam Watson, Chief Financial Officer

Changes to Key Management Personnel

Rodney Slater, Non-executive Director

Rodney Slater retired from his position as a Non-executive Director on 11 October 2018.

Andrew Head, Group Executive NSW Development

Transurban and its consortium partners were successful in the bid to acquire a 51per cent stake in WestConnex on 31 August 2018. Andrew Head was appointed and seconded to the role of CEO of WestConnex on 28 September 2018 following the financial close of the acquisition on 27 September 2018.

As CEO of WestConnex, Andrew reports to the WestConnex Board and his Key Performance Indicators relate solely to the WestConnex Group rather than the broader Transurban business. While Andrew remains an employee of Transurban, he no longer has authority and responsibility for planning, directing or controlling the activities of the Transurban Group and as a result, he no longer meets the definition of a Transurban KMP.

Michele Huey, Group Executive NSW

Michele Huey returned from parental leave on 17 September 2018 to the permanent position of Group Executive New South Wales.

Our remuneration governance framework at a glance

Board
Sets and oversees the implementation of the Remuneration Policy

Remuneration, People and Culture Committee

Assists the Board in fulfilling its responsibilities in relation to remuneration, people and culture policies and practices.

The Committee is responsible for reviewing, and where appropriate making recommendations to the Board on:

- remuneration of Non-executive KMP
- remuneration for the CEO and other Group Senior Executives
- remuneration budgets for all employees
- remuneration strategies, policies, practices, and disclosures generally, in relation to the context of the remuneration framework.

The Committee comprises Non-executive Directors, all of whom are independent. The current members are Samantha Mostyn (Chair), Robert Edgar, Neil Chatfield, and Jane Wilson. Further details regarding the Committee are set on page 62. As a matter of practice, the Chair of the Board (Lindsay Maxsted) and the Chair of the Audit and Risk Committee (Christine O'Reilly) also attend the Committee meetings.

Committee papers are provided to all members prior to meetings to enable timely, considered and effective decision making.

The Committee may request additional information from management or external advisors where required.

The Committee uses a range of inputs when assessing performance and outcomes of Executive KMP, including both what and how results have been achieved. Detailed performance assessments as well as audited financial results, external remuneration benchmarking and an overarching view to the organisation's values and risk profile are taken into account. The Committee and the Board review relevant information and exercise discretion, and may adjust proposed remuneration outcomes, including application of malus and clawback.

External advisors

The 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.

Protocols are in place for the independent engagement of remuneration consultants and the provision of remuneration recommendations.

During FY19, consultants provided benchmark data only to the Committee. No further remuneration recommendations relating to KMP were provided.

Management

Provide management information on financial, customer and risk matters which may impact remuneration.

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.

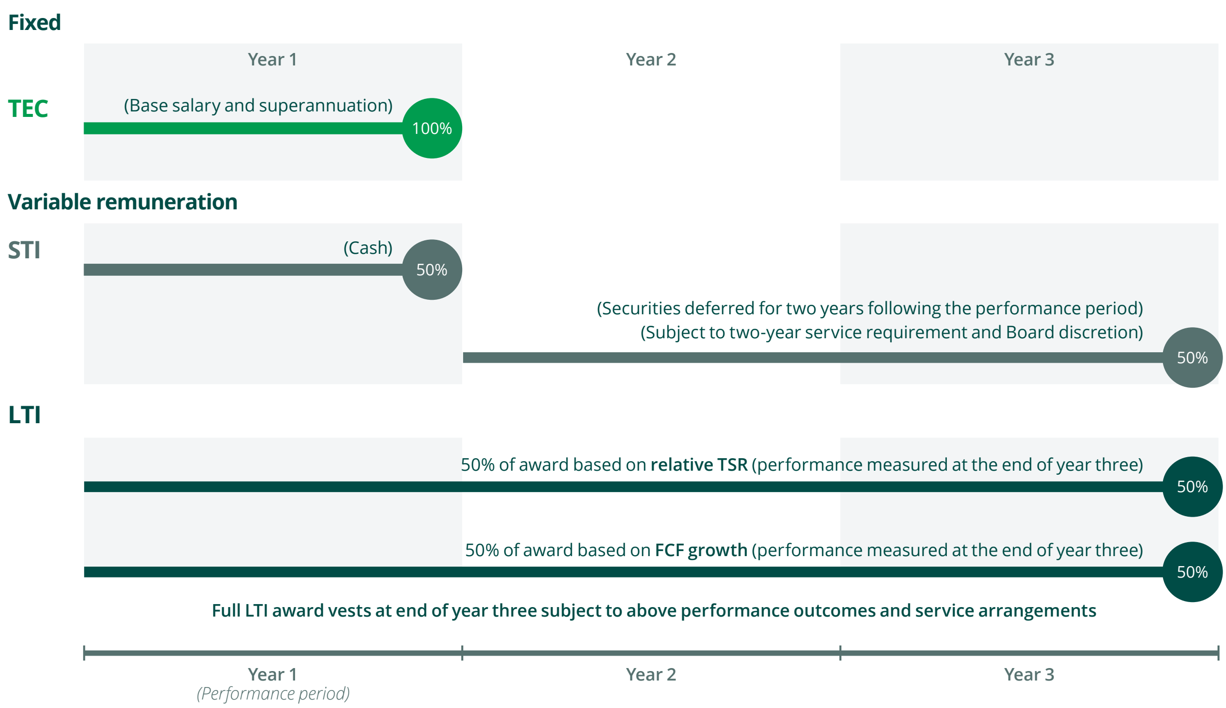
Our executive remuneration strategy

At Transurban, our remuneration strategy is designed to support and reinforce our business strategy, including sustainable long-term growth. The remuneration components that are at risk reflect the successful execution of that strategy in both the short and long term. Our strategic drivers are reflected in our STI and LTI performance measures so that business performance, shareholder outcomes and executive remuneration are directly aligned.

Our purpose	To strengthen communities through transport			
Our strategy	Provide sustainable transport solutions that offer choice, reliability, safety, transparency and value			
Our focus areas	Stakeholder engagement	Optimal networks	Delivery and operations	Disciplined investment
Remuneration strategy	A total remuneration framework designed to attract, motivate and retain the most skilled, experienced and capable executives by rewarding them for delivering on our business strategy and creating long-term, sustainable value for stakeholders			
Remuneration principles	Aligns the interests of our people with stakeholders	Attracts, motivates and retains the best people in the market	Balances financial and non-financial priorities around culture, risk appetite and values	Pays fairly for operational delivery and longer-term value creation

Remuneration components (and delivery mechanisms)	**Fixed remuneration**	**At risk** Target performance as defined by a combination of individual and group KPIs has the potential to achieve a 100% outcome. Opportunity for outperformance exists	**Outperformance** Long-term business performance measures determine opportunity for security grants
	Salary including statutory superannuation	**Short Term Incentive (STI)** Annual incentive awarded 50% in cash and 50% as two-year deferred securities	**Long Term Incentive (LTI)** Annual award granted as three-year performance rights
Purpose	Set competitively in relation to the external market; designed to attract and retain the most appropriately skilled and experienced people in the market	**Current year performance** Designed to reward for performance against annual, year-on-year business objectives and key performance indicators (KPIs); deferral provides additional retention and clawback optionality	**Long-term sustainable performance** Aligns performance focus with longer term business strategy and security holder returns; the three-year performance period provides additional retention and clawback optionality
Link to performance	Individual key role accountabilities, responsible for delivering on local priorities aligned to the business strategy	Provides for differentiation of pay based on both individual contribution and overall business performance	Motivates the consideration of longer-term implications of present-day decisions
Performance measures	Key role accountabilities, size and complexity weighed up against individual responsibilities, knowledge, skills and experience	**Financial** Proportional EBITDA (20%), Net Costs (20%) **Non-Financial Individual** KPIs (50%) Health Safety Environment (10%)	**Relative Total Shareholder Return** (TSR) (50%) **Free Cash Flow** (FCF) per security growth rate (50%)
Performance targets / hurdles	Measures are clearly aligned to security holder returns and value creation	Measures are clearly aligned to security holder returns and value creation	Relative TSR: Board review of companies included in comparator group FCF: budget-setting process, plus Board considerations as to quantifiable risks and opportunities
Further alignment to security holders	Minimum security holding requirements for Group CEO and KMP (equal in value to fixed annual remuneration excluding superannuation; five-year period to accumulate)	STI deferral into securities	Measures are clearly aligned to security holder returns and value creation
Governance	The Board holds discretion in regards to the setting of targets and hurdles, as well as decisions regarding performance and remuneration outcomes; this includes taking into account any relevant significant items	Strict protocols are in place for engaging independent remuneration consultants and advisors	

Overview of executive remuneration framework



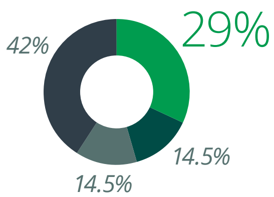
Executive KMP remuneration

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 FY19 for target performance (100% vesting of STI and LTI) for Executive KMP is outlined in the diagram to the right.

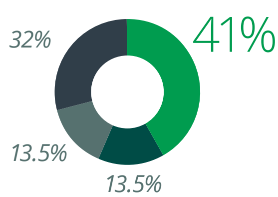
TEC* is set with reference to the market median, using the ASX 10-30 as the primary reference. Remuneration packages (including TEC levels) are reviewed by the Remuneration, People and Culture Committee taking into consideration an individual's role, experience and performance, as well as relevant comparative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

* Total Employee Compensation—includes base salary and statutory superannuation

CEO target remuneration mix



Executive KMP target remuneration mix[1]



● Fixed annual remuneration ● Variable STI—cash ● Variable STI—deferred ● Variable LTI

1. For this period, Andrew Head's target remuneration mix was 45% fixed annual remuneration, 11.5% variable STI deferred, 11.5% STI cash and 32% variable LTI with a maximum STI opportunity equivalent to 150% of TEC.

Our business performance

Financial highlights for FY19

The Group's toll road portfolio delivered strong EBITDA growth driven by increased traffic, toll price escalations across our networks, new acquisitions and disciplined cost control.

The Group recorded proportional EBITDA excluding significant items of $2,016m for the financial year ended 30 June 2019, an increase of 12.3% on the prior corresponding period.

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 by using measures based on the operating performance of the business. The table below shows the Group's performance over the past five financial years including metrics used to determine components of STI and LTI awards.

Five-year performance		FY19	FY18	FY17	FY16	FY15
Underlying proportional EBITDA	$m	2,016	1,796	1,629	1,480	1,289
Proportional net costs excluding significant items	$m	450	406	380	342	270
Free cash per security	Cents	57.1[2]	56.8	59.6[3]	46.8	40.2
Distribution paid per security	Cents	59.0	56.0	51.5	45.5	40.0
Security price at 30 June[1]	$	14.74	11.97	11.85	11.99	9.30
Market capitalisation	$b	39.43	26.63	24.32	24.46	17.80
TSR at 30 June	%	31	6	4	35	32

1. The opening share price in FY15 was $7.39.
2. The FY19 free cash flow of 57.1 cents per security included 4.6 cents per security relating to a capital release from the NorthWestern Roads Group and 6.7 cents per security from a capital release from Transurban Queensland. Excluding these capital releases, the 2019 free cash flow was 45.8 cents per security.
3. The FY17 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.

Executive KMP remuneration outcomes

STI outcomes

STI awards are determined with reference to an assessment of performance against individual KPIs (50%) and Group performance measures (50%). When the Board and the Committee consider the performance against each element, a number of factors are taken into account that may result in the exercise of Board discretion for the benefit or detriment of the employees. In assessing whether to exercise discretion for any of these factors, the Board will have regard for the interests of security holders. For example:

- prevailing external business and economic factors beyond the control of the business and which may impact performance
- unforeseen factors that may not have been known at the beginning of the performance period but which are relevant to performance over the performance period
- whether budgetary assumptions that were made when setting performance targets remain correct and whether conditions are potentially better or worse when compared with those assumptions
- the degree of difficulty and complexity associated with achieving the targets, as related to both the internal and external environment.

Target performance, which is defined by a combination of individual and Group KPIs, provides the potential to achieve a 100% of STI opportunity. Current KMP can achieve up to 150% of the target STI opportunity based on significant outperformance to agreed targets and measures and alignment to Group values.

Transurban's strategic priorities are cascaded, via the CEO's KPIs to other Executives in combination with other functional measures. The Board assessed Group performance and the CEO's KPIs as follows (KPIs that are commercially sensitive have been excluded).

FY19 CEO Individual KPI outcomes (contributes 50% to total STI outcome)

Priority / Area / Measure	Performance
Strategy • Stakeholder listening • West Gate Tunnel (WGT) strategy / CityLink concession	• Stakeholder initiatives implemented including trip compare tool, decision-point signage, social investment program • Support for customers in financial hardship assistance implemented (Linkt Assist) • Community trust benchmark with three-year stretch target achieved in 12 months • WGT/CityLink concession legislation achieved with concession extended by 10 years
Customer • Linkt brand launch • Customer listening	• Transitioned to one national brand, including single customer website, mobile app and alignment of fees and products • Improvements in customer service and digital experience including simplifying and streamlining including app functionality • Significant improvement in key customer metrics relative to stretch targets
People and leadership • Enterprise leadership • Workforce capability • Diversity and gender pay equity	• Developed the capability and breadth of senior leaders through new programs and exposure to external markets and operators • Implemented digital learning platform, expanding scope and scale of learning opportunities • Achieved WGEA Employer Of Choice for Gender Equity citation for fifth consecutive year; continued focus on gender pay equity and Women in Management
Operations • In-flight road projects • Tolling as a service • Global Enterprise Resource Planning (ERP) system	• Completion of the following: WestConnex New M4 Tunnels in Sydney and the Logan Enhancement Project, Gateway Upgrade North and Inner City Bypass upgrade in Brisbane • Multiple projects progressing satisfactorily across all markets: WGT, NorthConnex, 395, FredEx, WCX Stage 2 and 3 • Tolling as a service proposition progressing • ERP system implemented
Development • WestConnex (WCX) bid • New market opportunities • US development	• WCX bid successful including Australian Competition and Consumer Commission and Foreign Investment Review Board approvals and successful capital raising • WCX integration ahead of acquisition case • Disciplined investment assessment in identification of new market opportunities • Express lane development framework agreed on 495 Northern Express Lanes Extension project • 395 Express Lanes commissioning underway • Design build procurement completed for Fredericksburg Extension

In assessing overall performance, the Board concluded that the CEO has delivered another year of strong performance, assessing his individual performance outcome to be 100%. Importantly during this year, he achieved a number of significant outcomes including the successful WCX bid and integration and the CityLink concession extension. In addition, the CEO continued to drive investment in stakeholder initiatives and we continued to see an uplift in customer outcomes and community engagement that delivered benefits for all our stakeholders.

FY19 Group measures outcomes (contributes 50% to total STI outcome)

Measure	Target		Performance	STI Outcome %	Commentary
Proportional EBITDA (20%)	$1,963m		$1,939m	27.7	Excluding significant items, budget for discretionary research and development initiatives, WCX, and additional M5 acquisitions that occurred during the year.
Proportional net costs (20%)	$473m		$450m	59.9	
HSE (10%) (refer below for detail)			88.3	17.7	
Overall performance / Group outcome				**105.3**	
HSE in detail	**Target**	**Score**	**Outcome**		
HSE leadership (60%)	3.50	3.23	86.5	51.9	Leader and employee accountability, participation and improvements against HSE system plans and targets
Recordable Injury Frequency Rate (RIFR)—employees (10%)[1]	0.00	0.81	57.4	5.7	RIFR: recordable injuries (fatalities, lost time and medical treatment injuries) per million work hours.
Recordable Injury Frequency Rate —Contractors (10%) [1]	4.31	3.66	150.0	15.0	As above
Road Injury Crash Index (RICI) (10%)	3.92	4.71	56.6	5.7	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.
Road Safety Action Plans (10%)		Action plans in place and tracking to target	100.0	10.0	Road Safety Plan actions implemented and actions tracking to target.
Total HSE				**88.3**	

1. In the event of an employee or contractor fatality, the STI outcome for the corresponding RIFR will be zero for all Executive KMP and STI eligible employees.

The STI performance outcomes and awards for the CEO and current Executive KMP are detailed in the following table:

	STI outcome (%)		STI awarded[3] ($)	STI forfeited (%)
Executive KMP	Individual KPIs	Total[2]		
S Charlton	100.0	102.7	2,360,950	–
T Adams	95.0	97.5	490,020	2.5
J Aument[1]	130.0	133.4	764,700	–
W Ballantine	85.0	87.3	467,670	12.7
M Huey	85.0	87.3	283,160	12.7
S Johnson	95.0	97.5	457,350	2.5
L Tobin	95.0	97.5	457,350	2.5
A Watson	115.0	118.0	711,820	–

1. Jennifer Aument is remunerated in US Dollars. Her awarded STI has been translated to Australian dollars using the exchange rate of $0.7015 at 30 June 2019.
2. The total STI performance outcome is calculated: (Individual STI outcome % + (Individual STI outcome % x Group outcome %)) ÷ 2. The Group's percentage outcome is 105.3%.
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.

Andrew Head was Executive KMP for the period of 1 July 2018 – 27 Sept 2018. As part of the company's growth strategy over the past two years, the Board approved a specific incentive arrangement in relation to Andrew Head's role leading development opportunities in NSW. For this period he received an STI award of $318,750 representing his maximum STI opportunity equivalent to 150% of TEC.

LTI outcomes

Value of performance awards vested and lapsed in FY19

The FY16 LTI plan performance awards vested on 13 August 2018 (performance period 1 July 2015 to 30 June 2018). The outcome of the performance tests were as follows:

Test type	Result of test	% of units vest
TSR	Transurban ranked 14th highest out of 31 companies (56.6 percentile)	63.2%
Free Cash Flow	15.1% cumulative average annual growth rate in FCF per security over the performance period. Target range was 8% to 11% FCF growth per security.	100.0%
Overall vesting		**81.6%**

Free Cash Flow measure

The target range for the FCF measure in the LTI plans takes into account forecast financial performance over the three years over which the award is measured. This three-year forecast reflects near-term FCF growth generated by the business together with planned activities that deliver value over the longer term.

The target free cash growth per security over the performance period of this FY16 LTI plan (1 July 2015 to 30 June 2018) was achieved at 100%. Having set the target at the beginning of the plan period, the Board reviewed this outcome to ensure it had incorporated sufficient stretch over the three-year period and was not affected by one-off benefits that were outside of management endeavour. Management achievements were evaluated for demonstrable outcomes in key areas of the business strategy including:

- Operational efficiency—improvement in underlying proportional Group EBITDA year on year
- Customer experience—improvements delivered from initiatives including:
  - improved fee arrangements for customers
  - investment in customer technology platforms
  - the launch of a new national retail brand
  - an improved customer hardship program
- Portfolio development—disciplined investment including:
  - completion of the Citylink Tulla widening project on time and ahead of budget
  - new projects including the Logan Enhancement Project in Brisbane, the 395 Express Lanes in the Greater Washington Area, the West Gate Tunnel Project and AirportLinkM7
- Funding—balanced mix of debt and equity to support the development pipeline while maintaining strong investment grade credit metrics including:
  - $15.7 billion in debt funding raised or refinanced extending the average tenor of debt by 1.4 years and reducing the average cost of debt by 23 basis points
  - $2.9 billion of equity raised through two entitlement offers, with securities issued at an average discount of 4.7% to the Theoretical Ex Rights Price

When preparing the FCF targets for the FY16 LTI plan, the FCF targets did not include an assumption associated with an equity raise to be undertaken to fund the West Gate Tunnel Project, which occurred within the performance period for the plan. The Group undertook an equity raising of $1.9 billion in December 2017 to fund this opportunity. The impact of this equity raising did not change the outcome of the FCF component of the FY16 LTI Plan.

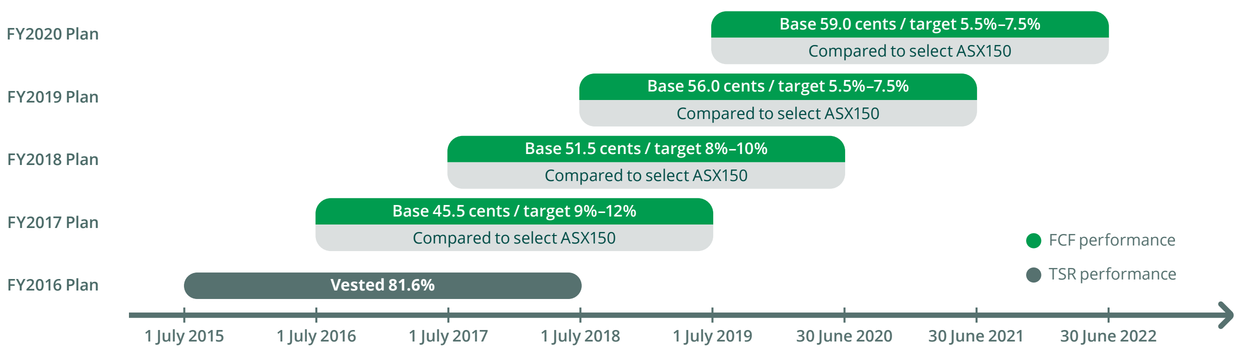
Looking ahead to FY20

Performance awards to be granted in FY20 will have a target range for growth in FCF per security of between 5.5% and 7.5% per annum. This is calculated using the FY19 distribution of 59.0 cents per security as the base. This target range is considered to be appropriately challenging for management taking into account the budget and forecast estimates of the Group over the plan period. This considers factors including the operating performance outcomes, the impact from development activities, the capital strategy and cost of funding and opportunities for capital releases. Should management achieve these outcomes and deliver growth in free cash for security holders, the Board considers the outcomes for management and security holders would be strongly aligned.

Value of performance awards to vest and lapse in FY20

The diagram below shows FCF and TSR performance parameters for current on-foot LTI Plans. Initial vesting calculations for the FY17 plan indicate that 87% of awards on issue will vest for eligible participants. The Board will conduct a detailed review of all contributing factors when finalising this outcome, which will be included in next year's Remuneration Report.

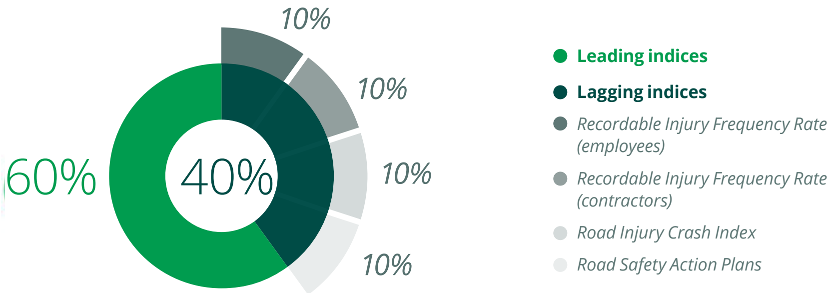
Current on-foot LTI plans and associated performance parameters



How variable remuneration is structured

Short Term Incentive (STI)—how does it work?

Description	Eligible permanent Group employees, including the CEO and other 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.
Opportunity	For 'at-target' performance, the CEO has the opportunity to receive 100% of TEC and all other Executive KMP have the opportunity to receive 67% of TEC. The minimum STI outcome is 0% (if targets are not met) and the maximum is capped at 150% of the STI opportunity awarded for exceptional performance.
Payment and deferral	STI awards for the CEO and other Executive KMP are delivered 50% in cash and 50% is deferred into Transurban stapled securities for two years following the performance year. The deferred securities participate in dividends and/or distributions paid. The number of deferred securities allocated is determined by dividing the amount to be deferred by a 10 day Volume Weighted Average Price (VWAP) of Transurban 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 awarded on individual performance and Group performance in accordance with the following formula. Employee STI performance outcome is calculated: (Individual STI outcome % + (Individual STI outcome % x Group outcome %)) ÷ 2. This approach is designed such that higher performing employees receive a greater portion of the Group STI outcome than those who do not perform as well.
Performance measures	Individual measures (KPIs) (50%): 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. Group measures (50%) comprise the following three components: Proportional Earnings before Interest Tax Depreciation and Amortisation (EBITDA)* (20%): 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. This measure provides a better reflection of the performance of the Group's assets than statutory EBITDA. Proportional Net Costs** (20%): 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. Health Safety and Environment (HSE) (10%): measures focus on improving the Group's HSE culture and reducing workplace injuries for employees and contractors, as well as customer safety. The HSE measure is a combination of a lead indicator and four lag indicators. The diagram below illustrates the performance measures within the lag indicators. The Leading (leadership) KPI requires the submission of HSE reports and includes proactive HSE observations, HSE meetings and actions to reduce HSE risks. Employees are assessed against a five-scale rating according to their KPI. This result is then aggregated across the Group and averaged to provide the Group score. This is then benchmarked against the annual target. The Lagging KPIs focus on recordable incidents, planning and tracking, including injury frequency rates, crash rates and road safety action planning.



Definitions

* 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 are calculated as total costs less fee and other revenues

Targets	**Financials (proportional EBITDA and proportional net costs)** The Board utilises the annual budget as the primary input to determine appropriate stretch financial targets. When approving the budget, the Board reviews the core principles and assumptions underpinning the budget. Specifically for proportional EBITDA, 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. Directly controllable initiatives including road safety, lane availability, operational efficiencies and the impact of development activity are also incorporated. Once the budget has been finalised, the Board determines the STI targets. In order to ensure that sufficient stretch is incorporated, consideration is given to the quantifiable risks and opportunities that can influence the Group's financial performance. In some instances, the Board may deem it appropriate to exclude significant items and the budget for discretionary research and development initiatives. The targets use a constant currency for operations within the USA and Canada.
	HSE The Board reviews HSE targets each year with a view to continuously improving the HSE culture and performance of the Group.
	Individual KPIs Individual targets as set out in KPIs include consideration as to role-related accountabilities and responsibilities in the context of business strategic priorities. Executive KPIs consist of similar categories to those of the CEO (as disclosed on page 73) of this report) and reflect the individual's role and areas of responsibility.
Vesting	The Board assesses performance against Group measures 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.
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 (applicable to both STI and LTI plans)

Long Term Incentive (LTI)—how does it work?

Description	Participation in the LTI plan is offered to the CEO and other Executive KMP and a very limited number of other employees nominated by the CEO and approved by the Board.
Instrument	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 eg. the FY19 grant has a performance period commencing 1 July 2018 and ending 30 June 2021
Opportunity	The CEO's opportunity is 147% of TEC and the opportunity for all other Executive KMP is 80% 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 capped at 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 an equal 50% weighting).
Targets	Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification standards sectors of the ASX150. The companies in this group for grants made during FY19 were: *Abacus Property Group, AGL Energy Limited, APA Group, Atlas Arteria Group, Aurizon Holdings Limited, Ausnet Services Limited, BWP Trust Ord Units, Charter Hall Group, Charter Hall Retail Reit Unit, Chorus Limited, Cromwell Property Group, Dexus Property Group, Goodman Group, GPT Group, Growthpoint Properties Australia, Investa Office Fund, Lendlease Group, Mirvac Group, Qantas Airways Limited, Qube Holdings Limited, Scentre Group, Shopping Centres Australasia Property Group, Spark Infrastructure Group, Spark New Zealand Limited NZX, Stockland Corporation Limited, Sydney Airport, Telstra Corporation Limited, TPG Telecom Limited, Transurban Group, Vicinity Centres.* The list below shows the companies that were excluded from the comparator group in FY19. There were no new companies to the group compared to the prior year. Companies excluded in FY19 Fell outside of ASX150: Aveo Group, Monadelphous Group Limited, Viva Energy Reit Limited, Vocus Communications Limited Other: Unibail Rodamco Westfield (Board approved exclusion), Westfield Corporation (de-listed).
	FCF per security targets are set by the Board utilising the annual budget and three-year forecast as the primary inputs (consistent with the approach taken for STI measures of proportional EBITDA and proportional net costs). Once the budget and forecast has been finalised, the Board determines the FCF targets by analysing the cash flow outcomes, ensuring sufficient stretch is incorporated. The actual FCF outcomes are reviewed in detail against targets to consider key reasons for variance and assess whether any adjustments should be made in determining management's performance. The Board may make adjustments where a decision has been made, in the interests of the Transurban Group and its security holders that differs from the original budgeted assumptions. This may include factors such as significant equity raisings to fund growth opportunities or changes to the timing or quantum of anticipated capital releases. Factors that may cause FCF growth to fluctuate year on year include activities that are intended to generate long-term value for the business but may negatively impact FCF growth in the near term. The Group is currently in a significant development phase with seven major projects across all markets to be delivered over the next five years. The FCF calculation is included in note B10 of the audited financial statements.
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 that was reinvested on a pre-tax basis. Growth in FCF per security reflects the Group's continued focus on maximising available free cash. The Group seeks to consistently grow its distributions year on year and to align security holder distributions with FCF per security.
Allocation	Face value allocation methodology (discounted for distributions and/or dividends foregone throughout the performance period). For each grant cycle, the allocation calculations are performed on 1 July of the first performance year using a valuation determined by an independent third party.

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 in relation 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). The TSR performance is tested at the end of the three-year performance period, and this ranking determines the extent to which performance awards, subject to this component, vest.

FY19 TSR vesting schedule

The TSR component of performance awards granted during FY19, will vest on a straight line basis in accordance with the following table:

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

FCF component

The Group's FCF per security percentage growth rate is calculated over the three-year performance period.

The Board uses its discretion to determine whether the performance awards are settled in Transurban stapled securities or a cash payment of equivalent value.

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.

FY19 FCF vesting schedule

The FCF per security component of performance awards granted during FY19 will vest based on the Group's cumulative average annual growth targets translated into annual FCF per security over the three-year performance period, as set out below:

% annual growth in FCF per security (distribution base of 56.0 cents per security)	% of performance awards that vest
Less than 5.5%	Zero
Between 5.5% and 7.5%	Straight line vesting between 50 and 100
7.5% or more	100

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	Treatment as per STI

Minimum security holding

The Board has endorsed minimum security holding guidelines for Non-executive Directors, the CEO and 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. All KMP have either achieved and maintained their minimum security holding or, for those new to the Group, are on track to meet the five-year accumulation period.

Service agreements

The remuneration and other terms of employment for the CEO and other Executive KMP are formalised in service agreements that have no specified term. Under these agreements, the CEO and other Executive KMP are eligible to participate in STI and LTI plans. Some other key aspects of the agreements in place for FY19 are outlined below:

	Period of notice to terminate by the Executive KMP	Period of notice to terminate by the Group[1]
CEO	6 months	12 months
Other 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.

Non-executive Director remuneration

Remuneration policy

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

Securing and retaining talented, qualified Directors

Director fee levels are set with regards to:
- the responsibilities and risks attached to the role,
- the time commitment and workload expected,
- the Director's experience and expertise, and
- market benchmark data

Preserving independence and impartiality

Director remuneration consists of base (Director) fees and Committee fees. No element of Director remuneration is 'at risk' (i.e. fees are not based on the performance of the Group or individual Directors)

Aligning Director and security holder interests

Directors are encouraged to hold Transurban securities and the Board has endorsed minimum security holding guidelines for Directors

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. Security holders at the 2016 Annual General Meeting approved the current aggregate fee pool of $3,000,000 per year (inclusive of superannuation contributions).

Non-executive Director fees

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 FY19. The Remuneration, People and Culture Committee recommended and the Board subsequently resolved that Non-executive Director fees remain unchanged for the 2019 calendar year.

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

Board fees	Chair	$600,000
	Member	$205,000
Committee fees	**Audit and Risk Committee**	
	Chair	$50,000
	Member	$25,000
	Remuneration, People and Culture Committee	
	Chair	$45,000
	Member	$20,000

There are no fees for membership of the Nomination Committee.

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 FY19. 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.

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
L Maxsted	Mr Lindsay 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 FY19 Westpac participated in three new debt financings and was a Co-Agent on an M7 placement conducted by Transurban. In addition to providing corporate working capital and letter of credit facilities to Transurban, Westpac participates in numerous debt facilities and acts as the facility agent for certain debt facilities, all on normal commercial terms.
N Chatfield	Mr Neil Chatfield was Chair and a non-executive director of Seek Limited until 31 December 2018.	Seek provides employment advertising services to Transurban on normal commercial terms.
S Mostyn	Ms Samantha Mostyn is Chair and a non-executive director of Citigroup Pty Limited. Ms Samantha Mostyn was a non-executive director of Virgin Australia Holdings Limited until 29 May 2019.	During FY19 Citigroup was a Joint Lead Manager on a Corporate EMTN issuance and was Co-Agent on a Cardinal (A25) placement, 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. Virgin provides air travel services to Transurban on normal commercial terms.
C O'Reilly	Ms Christine O'Reilly was a non-executive director of Energy Australia Limited until 6 August 2018.	Energy Australia is one of Transurban's electricity providers in NSW and Queensland. This relationship is based on normal commercial terms.
R Slater	Mr Rodney Slater retired from the Board on 11 October 2018. Mr Slater is a partner in the public policy practice group of Washington DC firm Squire Patton Boggs (SPB).	Transurban used SPB for various lobbying activities and incurred USD120,000 for services during FY19.

Statutory tables

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, 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.

Number of STI deferred securities granted in FY19

Executive KMP	Balance at start of year	Granted during year as remuneration	Matured and paid during year[2]	Forfeited during the year	Balance at the end of year
S Charlton	210,396	126,861	(100,843)	–	236,414
T Adams	36,654	23,409	(18,021)	–	42,042
J Aument	44,392	28,414	(24,179)	–	48,627
W Ballantine	44,065	23,111	(23,353)	–	43,823
A Head[1]	39,281	25,527	(18,790)	–	N/A
M Huey	35,344	3,901	(18,146)	–	21,099
S Johnson	38,195	24,727	(17,867)	–	45,055
L Tobin	37,121	19,221	(15,860)	–	40,482
A Watson	40,922	25,527	(19,041)	–	47,408

1. Andrew Head ceased being a KMP on 27 September 2018.
2. Securities vested during FY19 at the end of the two-year restriction period.

Performance awards granted in FY19

Eligible Executive KMP (excluding the CEO) received performance awards with a grant date of 22 August 2018. Following the receipt of security holder approval at the 2018 AGM, the CEO received performance awards with a grant date of 19 October 2018. All performance awards granted in FY19 may vest subject to a performance period from 1 July 2018 through to 30 June 2021.

The target (100%) value of the grant has been estimated based on the award valuations at grant date which is 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 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 Executive KMP is the face value of the award (i.e. the value the 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.

The relevant values of the grants are as follows:

Recipient	Grant date	Value of awards at allocation date	Value of awards at grant date		Security price at grant date
		Face value[1]	Relative TSR[2]	FCF per security	
Executive KMP	22 August 2018	$10.67	$4.65	$10.22	$11.65
CEO	19 October 2018	$10.67	$3.94	$9.76	$11.05

1. Security price as at 1 July 2018 (allocation date) discounted for distributions and dividends forgone throughout the three-year performance period.
2. Fair value in accordance with AASB 2 – share-based payments treatment of market conditions.

The table below shows the number of LTI awards granted to Executive KMP during FY19.

Executive KMP	Number of performance awards granted	Potential value of grant yet to vest at Target ($)	Maximum (face value) of potential value of grant to vest ($)
S Charlton	316,870	2,170,560	3,501,414
T Adams	56,233	418,092	655,114
J Aument	60,941	453,096	709,963
W Ballantine	59,982	445,966	698,790
A Head[1]	56,561	420,531	658,936
M Huey	48,735	362,345	567,763
S Johnson	52,484	390,219	611,439
L Tobin	52,484	390,219	611,439
A Watson	67,479	501,706	786,130

1. Andrew Head ceased being a KMP on 27 September 2018.

Number of performance awards which vested and lapsed during FY19

Executive KMP	Number of Awards vested	Value ($)[3] of Awards vested	Number of Awards lapsed
S Charlton	238,632	1,837,326	53,809
T Adams	44,896	316,466	10,123
J Aument[1]	53,167	374,768	11,988
W Ballantine	46,189	325,577	10,414
A Head[2]	55,372	390,309	12,485
M Huey	41,440	292,107	9,344
S Johnson	44,509	313,740	10,036
L Tobin	46,735	329,431	10,538
A Watson	56,115	395,549	12,653

1. Jennifer Aument awards were settled in cash.
2. Andrew Head ceased being a KMP on 27 September 2018.
3. Based on the fair value at date of grant.
4. For each Executive KMP, 81.6% of their FY16 LTI vested and 18.4% lapsed.

Number of performance awards on issue as at 30 June 2019

	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[2]
S Charlton	900,405	316,870	(238,632)	(53,809)	924,834
T Adams	151,916	56,233	(44,896)	(10,123)	153,130
J Aument	169,873	60,941	(53,167)	(11,988)	165,659
W Ballantine	150,107	59,982	(46,189)	(10,414)	153,486
A Head[1]	182,696	56,561	(55,372)	(12,485)	N/A
M Huey	136,691	48,735	(41,440)	(9,344)	134,642
S Johnson	146,475	52,484	(44,509)	(10,036)	144,414
L Tobin	149,302	52,484	(46,735)	(10,538)	144,513
A Watson	186,985	67,479	(56,115)	(12,653)	185,696

1. Andrew Head ceased being a KMP on 27 September 2018.
2. No closely related parties of Executive KMP held any performance awards during FY19.

Securities held by Executive KMP as at 30 June 2019

	Balance at start of year	Changes during year	Balance at end of year[2]
S Charlton	1,334,337	174,604	1,508,941
T Adams	27,425	33,958	61,383
J Aument	–	–	–
W Ballantine	89,089	(14,438)	74,651
A Head[1]	64,598	–	N/A
M Huey	91,596	64,812	156,408
S Johnson	95,445	20,221	115,666
L Tobin	170,883	(25,784)	145,099
A Watson	109,889	15,621	125,510

1. Andrew Head ceased being a KMP on 27 September 2018.
2. No Transurban securities were held nominally or held by closely related parties of Executive KMP during FY19.

Executive KMP remuneration

	Short-term employee benefits			Deferred STI[6]	Post-employment benefits	Long-term benefits	Share-based benefits[7]		Total
	Cash salary and fees	Cash STI[4]	Non-monetary benefits[5]		Super-annuation	Long service leave	Equity awards	Cash awards	
CEO									
S Charlton									
2019	**2,279,469**	**1,180,475**	**11,743**	**1,412,580**	**20,531**	**90,793**	**2,173,136**	**–**	**7,168,727**
2018	2,179,951	1,486,370	11,281	1,241,158	20,049	66,630	2,049,698	–	7,055,137
Other Executive KMP									
T Adams									
2019	**729,469**	**245,010**	**4,438**	**254,560**	**20,531**	**24,149**	**372,479**	**–**	**1,650,636**
2018	679,951	274,265	4,329	214,525	20,049	30,532	342,120	–	1,565,771
J Aument[1]									
2019	**838,457**	**382,350**	**1,445**	**299,734**	**15,372**	**–**	**275,979**	**198,050**	**2,011,387**
2018	701,083	332,905	1,334	272,186	14,188	–	120,433	479,709	1,921,838
W Ballantine[2]									
2019	**900,265**	**233,835**	**5,448**	**260,233**	**20,531**	**(49,087)**	**371,960**	**–**	**1,743,185**
2018	799,070	270,775	109,988	251,558	20,049	46,841	337,976	–	1,836,257
A Head[3]									
2019	**196,824**	**159,375**	**2,002**	**67,849**	**4,962**	**5,163**	**102,209**	**–**	**538,384**
2018	829,951	299,085	7,754	231,858	20,049	33,610	410,561	–	1,832,868
M Huey[3]									
2019	**467,153**	**141,580**	**7,367**	**96,655**	**25,005**	**9,073**	**327,585**	**–**	**1,074,418**
2018	307,820	45,695	6,799	203,967	20,049	6,850	307,918	–	899,098
S Johnson[2]									
2019	**679,469**	**228,675**	**7,177**	**271,382**	**20,531**	**32,172**	**351,275**	**–**	**1,590,681**
2018	745,443	289,710	117,608	226,967	20,049	27,246	329,967	–	1,756,990
L Tobin									
2019	**679,469**	**228,675**	**4,559**	**231,963**	**20,531**	**27,316**	**351,522**	**–**	**1,544,035**
2018	619,951	225,195	4,445	226,233	20,049	19,757	335,892	–	1,451,522
A Watson									
2019	**879,469**	**355,910**	**4,559**	**283,607**	**20,531**	**14,370**	**451,896**	**–**	**2,010,342**
2018	856,954	299,085	4,445	243,550	20,049	11,507	420,898	–	1,856,488
Total									
2019	**7,650,044**	**3,155,885**	**48,738**	**3,178,563**	**168,525**	**153,949**	**4,778,041**	**198,050**	**19,331,795**
2018	7,720,174	3,523,085	267,983	3,112,002	174,580	242,973	4,655,463	479,709	20,175,969

1. Jennifer Aument is remunerated in US Dollars. The amounts shown in the table above have been converted to Australian Dollars using the average exchange rate over the reporting period, being $0.7156.
2. FY19: Wes Ballantine's cash salary includes a cash allowance of $113,205 relating to his interstate relocation and a vehicle lease refund of $7,591.
FY18: Wes Ballantine's cash salary includes a cash allowance of $127,452 relating to his interstate relocation and Sue Johnson's cash salary includes $125,492 for her interstate relocation.
3. Andrew Head ceased being a KMP on 27 September 2018; amounts reported above have been prorated for the period of time as KMP.
Michele Huey returned to her KMP role from parental leave on 17 September 2018; amounts reported above for both 2018 and 2019 have been prorated for the period of time as KMP.
4. The amount represents the cash STI payment to the Executive KMP for FY19, which will be paid in September 2019.
5. Non-monetary benefits include Group employee insurance and relocation allowances (where applicable in 2018).
6. 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 FY19 accounting charge for unvested grants.
7. 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 the 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 paid to Non-executive Directors

Current Non-executive Directors		Short-term benefits Fees	Post-employment benefits Superannuation[2]	Total
L Maxsted	**2019**	**579,469**	**20,531**	**600,000**
	2018	554,951	20,049	575,000
M Birrell	**2019**	**189,117**	**17,966**	**207,083**
	2018	31,202	2,964	34,166
N Chatfield	**2019**	**229,469**	**20,531**	**250,000**
	2018	233,285	20,049	253,334
R Edgar	**2019**	**229,469**	**20,531**	**250,000**
	2018	231,618	20,049	251,667
S Mostyn	**2019**	**229,469**	**20,531**	**250,000**
	2018	216,250	19,583	235,833
C O'Reilly	**2019**	**234,469**	**20,531**	**255,000**
	2018	221,939	19,728	241,667
P Scott	**2019**	**210,046**	**19,954**	**230,000**
	2018	205,479	19,521	225,000
R Slater[1]	**2019**	**71,997**	**–**	**71,997**
	2018	232,168	–	232,168
J Wilson	**2019**	**205,479**	**19,521**	**225,000**
	2018	200,913	19,087	220,000
Total	**2019**	**2,178,984**	**160,096**	**2,339,080**
	2018	2,127,805	141,030	2,268,835

1. Rodney Slater was remunerated in US Dollars. The amounts shown in the table above have been converted to Australian Dollars using the average exchange rate over the reporting period up until his retirement on 11 October 2018 of $0.7292.
2. Superannuation contributions made on behalf of Non-executive Directors to satisfy the Group's obligations under applicable superannuation guarantee legislation.

Securities held by Non-executive Directors as at 30 June 2019 and at the date of this Report

	Balance at start of year	Changes during year	Balance at end of year[2, 3]
L Maxsted	75,956	13,326	89,282
M Birrell	2,000	3,000	5,000
N Chatfield	70,443	4,399	74,842
R Edgar	40,605	7,124	47,729
S Mostyn	21,995	4,497	26,492
C O'Reilly	22,193	4,075	26,268
P Scott	23,587	4,823	28,410
R Slater[1]	13,000	–	N/A
J Wilson	4,000	8,702	12,702

1. Rodney Slater retired as a Director on 11 October 2018.
2. No Transurban securities were held nominally or held by closely related parties of Non-executive Directors during FY19.
3. Balance at date of this Report is same as balance at end of FY19.

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 2019, 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.

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
7 August 2019

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Financial Statements

Contents

Section A:
Group financial statements

Consolidated statement of comprehensive income for the year ended 30 June 2019

	Note	2019 $M	2018 $M
Revenue	B5	**4,166**	**3,298**
Expenses			
Employee benefits expense		(230)	(200)
Road operating costs		(373)	(326)
Construction costs		(1,435)	(989)
Transaction and integration costs		(25)	(21)
Corporate and other expenses		(107)	(113)
Total expenses		**(2,170)**	**(1,649)**
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes		**1,996**	**1,649**
Amortisation	B17	(882)	(594)
Depreciation		(113)	(77)
Total depreciation and amortisation		**(995)**	**(671)**
Net finance costs	B13	(865)	(722)
Share of net profit/(loss) of equity accounted investments	B25	(334)	33
Gain on revaluation of equity accounted investment	B24	228	–
Profit before income tax		**30**	**289**
Income tax benefit	B7	140	179
Profit for the year		**170**	**468**
Profit/(loss) attributable to:			
Ordinary security holders of the stapled group			
– Attributable to Transurban Holdings Limited ('THL')		(40)	(153)
– Attributable to THT/TIL		211	638
Profit attributable to ordinary security holders of the stapled group	B9	**171**	**485**
Non-controlling interests—other	B26	(1)	(17)
Profit for the year		**170**	**468**
Other comprehensive income			
Items that may be reclassified to profit or loss in the future			
Changes in the fair value of cash flow hedges, net of tax		(181)	(123)
Share of other comprehensive income/(loss) of equity accounted investments, net of tax	B25	(74)	1
Movement in share-based payments reserve		2	1
Exchange differences on translation of North American operations, net of tax		(12)	(22)
Other comprehensive income/(loss) for the year, net of tax		(265)	**(143)**
Total comprehensive income/(loss) for the year		**(95)**	**325**
Total comprehensive income/(loss) for the year is attributable to:			
Ordinary security holders of the stapled group			
– Attributable to THL		(81)	(200)
– Attributable to THT/TIL		16	571
Non-controlling interests—other		(30)	(46)
Total comprehensive income/(loss) for the year		**(95)**	**325**
		Cents	**Cents**
Earnings per security attributable to ordinary security holders of the stapled group:	B9	**6.6**	**22.7**

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

Consolidated balance sheet as at 30 June 2019

	Note	2019 $M	2018[1] $M
Assets			
Current assets			
Cash and cash equivalents	B8	1,630	1,130
Trade and other receivables	B8	285	444
Derivative financial instruments	B15	10	21
Held-to-maturity investments	B8	–	226
Total current assets		**1,925**	**1,821**
Non-current assets			
Equity accounted investments	B25	3,614	474
Financial assets at amortised cost	B31	1,193	–
Held-to-maturity investments	B31	–	806
Derivative financial instruments	B15	293	217
Property, plant and equipment		414	374
Concession financial asset	B18	341	323
Deferred tax assets	B7	1,107	1,021
Goodwill	B16	466	466
Other intangible assets	B17	26,604	20,938
Total non-current assets		**34,032**	**24,619**
Total assets		**35,957**	**26,440**
Liabilities			
Current liabilities			
Trade and other payables	B8	513	516
Borrowings	B14	959	524
Derivative financial instruments	B15	7	11
Maintenance provision	B19	156	149
Distribution provision	B10	841	671
Other provisions		193	68
Construction obligation provision	B20	831	–
Other liabilities		291	293
Total current liabilities		**3,791**	**2,232**
Non-current liabilities			
Borrowings	B14	17,507	14,871
Derivative financial instruments	B15	496	441
Deferred tax liabilities	B7	1,412	990
Maintenance provision	B19	1,006	914
Other provisions		6	126
Construction obligation provision	B20	1,391	–
Other liabilities		446	100
Total non-current liabilities		**22,264**	**17,442**
Total liabilities		**26,055**	**19,674**
Net assets		**9,902**	**6,766**
Equity			
Contributed equity	B11	2,675	1,746
Reserves	B12	(149)	(101)
Accumulated losses		(3,563)	(3,455)
Equity attributable to other members of the stapled group (THT/TIL)		9,791	7,401
Equity attributable to security holders of the stapled group		**8,754**	**5,591**
Non-controlling interests—other	B26	1,148	1,175
Total equity		**9,902**	**6,766**

1. The 30 June 2018 balance sheet has been restated to reflect the final fair value of the purchase price allocation balances of A25, which was acquired on 5 June 2018. Refer to note B24.

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

Consolidated statement of changes in equity for the year ended 30 June 2019

	Attributable to security holders of the stapled group							
	Number of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Equity attributable to other members—THT & TIL $M	Total $M	Non-controlling interests—other $M	Total equity $M
Balance at 30 June 2018 as originally presented	2,225	1,746	(101)	(3,455)	7,401	5,591	1,175	6,766
Change in accounting policy[1]	–	–	–	12	–	12	(5)	7
Balance at 1 July 2018	**2,225**	**1,746**	**(101)**	**(3,443)**	**7,401**	**5,603**	**1,170**	**6,773**
Comprehensive income								
Profit/(loss) for the year	–	–	–	(40)	211	171	(1)	170
Other comprehensive income/(loss)	–	–	(41)	–	(195)	(236)	(29)	(265)
Total comprehensive income/(loss)	**–**	**–**	**(41)**	**(40)**	**16**	**(65)**	**(30)**	**(95)**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs[2]	446	915	–	–	3,833	4,748	–	4,748
Employee performance awards issued[3]	1	2	–	–	9	11	–	11
Distributions provided for or paid[4]	–	–	–	(80)	(1,497)	(1,577)	–	(1,577)
Distribution reinvestment plan[5]	3	12	–	–	29	41	–	41
Distributions to non-controlling interests[6]	–	–	–	–	–	–	(183)	(183)
Recognition of non-controlling interest upon step-up acquisition and change in ownership[7]	–	–	–	–	–	–	191	191
Transactions with non-controlling interests—other[7]	–	–	(7)	–	–	(7)	–	(7)
	450	929	(7)	(80)	2,374	3,216	8	3,224
Balance at 30 June 2019	**2,675**	**2,675**	**(149)**	**(3,563)**	**9,791**	**8,754**	**1,148**	**9,902**

1. Refer to note B35 for further details on the change in accounting policy.
2. On 21 September 2018, the Group successfully completed the fully underwritten institutional and retail components of its pro-rata accelerated renounceable 10 for 57 entitlement offer. The institutional component raised gross proceeds of $2,996 million at an issue price of $10.80 per security. The retail component raised gross proceeds of $1,222 million at an issue price of $10.80 per security. A further $600 million was raised on 12 September 2018 through a placement to AustralianSuper and Tawreed Investments Limited (Tawreed) at an issue price of $10.85 per security. The total gross proceeds of $4,818 million ($4,748 million net of transaction costs, including $5 million of non-cash tax benefit) were used to fund the Group's investment in WestConnex (WCX) through Sydney Transport Partners Joint venture (STP JV) and for general corporate purposes.
3. 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.
4. Refer to note B10 for further details of dividends and distributions provided for or paid.
5. Under the Distribution Reinvestment Plan (DRP), 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. The DRP was not in effect for the final distribution for FY2018, paid in August 2018. The DRP applied for the interim FY2019 distribution.
6. Distributions and dividends were paid during the period to the non-controlling interest partners in Eastern Distributor, Transurban Queensland and Interlink Roads ('M5 Motorway').
7. Refer to note B24 for further details in relation to recognition of non-controlling interest upon the step-up acquisition of Interlink M5 ($277 million) and other transactions with non-controlling interests including $86 million to acquire an additional interest in Interlink M5 and a related $7 million in payment for stamp duty on this transaction.

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

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

	Attributable to security holders of the stapled group							
	Number of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Equity attributable to other members—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/(loss) 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 interest—other	–	–	–	–	–	–	(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 accelerated 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 DRP, 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 continued to apply for the interim FY2018 distribution and was suspended for the distribution for the six months ended 30 June 2018, paid in August 2018.
5. Distributions were paid during the period to the non-controlling interest partners in Eastern Distributor and Transurban Queensland.

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

Consolidated statement of cash flows for the year ended 30 June 2019

	Note	2019 $M	2018 $M
Cash flows from operating activities			
Receipts from customers		2,873	2,453
Payments to suppliers and employees		(851)	(769)
Payments for maintenance of intangible assets		(117)	(95)
Transaction and integration costs related to acquisitions		(25)	(20)
Other cash receipts		112	66
Interest received		36	33
Interest paid		(771)	(615)
Income taxes paid		(60)	–
Net cash inflow from operating activities	(a)	**1,197**	**1,053**
Cash flows from investing activities			
Payments for held-to-maturity investments, net of fees		–	(219)
Payments for financial assets at amortised cost		(865)	–
Repayment of financial assets at amortised cost		330	–
Payments for equity accounted investments		(3,488)	(5)
Payments for intangible assets		(1,741)	(1,129)
Payments for property, plant and equipment		(133)	(131)
Distributions received from equity accounted investments		190	219
Payments for acquisition of subsidiaries and term loan notes, net of cash acquired	B24	(65)	(846)
Net cash outflow from investing activities		**(5,772)**	**(2,111)**
Cash flows from financing activities			
Proceeds from equity issues of stapled securities (net of costs)		4,743	1,867
Acquisition of non-controlling interest in subsidiary and term loan notes		(106)	–
Proceeds from borrowings (net of costs)	(b)	4,193	4,064
Proceeds/(payments) made in the provision of loan facilities		215	(246)
Repayment of borrowings	(b)	(2,445)	(3,346)
Dividends and distributions paid to the Group's security holders	B10	(1,357)	(1,064)
Distributions paid to non-controlling interests	B10	(192)	(82)
Net cash inflow from financing activities	(b)	**5,051**	**1,193**
Net increase in cash and cash equivalents		**476**	**135**
Cash and cash equivalents at the beginning of the year		1,130	988
Effects of exchange rate changes on cash and cash equivalents		24	7
Cash and cash equivalents at end of the year	B8	**1,630**	**1,130**

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

	Note	2019	2018
Profit for the year		**170**	**468**
Depreciation and amortisation		995	671
Gain on revaluation of equity accounted investments	B24	(228)	–
Non-cash share-based payments expense		14	7
Non-cash net finance costs		112	34
Share of profits of equity accounted investments	B25	334	(33)
Change in operating assets and liabilities:			
(Increase) in trade and other receivables		(48)	(29)
Increase in concession and promissory note liability		16	12
Increase/(decrease) in operating creditors and accruals		(3)	23
Increase in other operating provisions		6	32
Movement in deferred and current taxes		(204)	(179)
Increase in maintenance provision		33	47
Net cash inflow from operating activities		**1,197**	**1,053**

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

Consolidated statement of cash flows for the year ended 30 June 2019 (continued)

(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 2018	**524**	**14,871**	**(891)**	**14,504**
Proceeds from borrowings (net of costs)	–	4,205	(12)	4,193
Repayment of borrowings	(564)	(1,911)	30	(2,445)
Capitalised premiums and discounts included in operating and investing cash flows	–	–	–	–
Total cash flows	**(564)**	**2,294**	**18**	**1,748**
Non-cash changes				
Acquisitions	78	640	–	718
Foreign exchange movements	(12)	608	(428)	168
Transfer	933	(933)	–	–
Capitalised interest	–	6	–	6
Amortisation of borrowing costs	–	21	–	21
Total non-cash changes	**999**	**342**	**(428)**	**913**
Balance at 30 June 2019	**959**	**17,507**	**(1,301)**	**17,165**

1. Total derivatives balance at 30 June 2019 is a liability of $200 million. 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.

	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**
Non-cash changes				
Acquisitions	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. 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 Holdings Limited Group', '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 Infrastructure Management Limited ('TIML') as the responsible entity of Transurban Holding Trust and its controlled entities ('THT'). The equity securities of 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 the Transurban Group for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 7 August 2019. 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 transactions during the reporting period:

Interlink Roads (M5 Motorway) acquisition of additional equity interest

On 18 September 2018, Transurban acquired an additional 8.24% equity interest in the M5 Motorway for a cash consideration of $116 million. This transaction took the Group's total equity interest to 58.24%, resulting in the M5 Motorway being consolidated into the Group. On 3 December 2018, the Group acquired an additional 7.14% interest in the M5 Motorway and its corresponding shareholder loan notes for a total consideration of $99 million. This transaction took the Group's total equity interest in M5 Motorway to 65.38%. Refer to note B24 for further information.

Group equity issuances

On 21 September 2018, the Group successfully completed the fully underwritten institutional and retail components of its pro-rata accelerated renounceable 10 for 57 entitlement offer. The institutional component raised gross proceeds of $2,996 million at an issue price of $10.80 per security. The retail component raised gross proceeds of $1,222 million at an issue price of $10.80 per security. A further $600 million was raised on 12 September 2018 through a placement to AustralianSuper and Tawreed at an issue price of $10.85 per security. The total gross proceeds of $4,818 million ($4,748 million net of transaction costs including $5 million of non-cash tax benefit) were used to fund the Group's investment in WCX through the STP JV and for general corporate purposes.

Investment in WestConnex through Sydney Transport Partners joint venture ('STP JV')

On 27 September 2018, the STP JV acquired a controlling 51% stake in WCX Project Hold Trust and WCX Asset Hold Trust and their controlled entities (collectively referred to as WestConnex or WCX) from the NSW Government (WCX Acquisition). For the purposes of the WCX Acquisition, a consortium, STP JV was established, comprising Transurban (50%), AustralianSuper (20.5%), Canada Pension Plan Investment Board ('CPPIB') (20.5%) and Tawreed (9%). The Group's effective equity interest in WCX through its equity investment in STP JV is 25.5%. Refer to note B25 for further information.

West Gate Tunnel Project legislation and parliamentary consents

On 21 March 2019, the West Gate Tunnel (Truck Bans and Traffic Management) Bill 2019 was passed by both houses of Victorian Parliament providing for a concession end date of 13 January 2045 for the West Gate Tunnel currently under construction. Additionally, on 21 March 2019 the CityLink Concession Deed Amendments for the West Gate Tunnel Project received the necessary parliamentary consents to provide for an extension of the concession end date for CityLink to 13 January 2045. The effective date for the legislation and parliamentary consents is 11 April 2019. Refer to notes B17 and B20 for further information.

Fredericksburg Extension Project

In April 2019, commercial close was reached on the Fredericksburg Extension project. The Fredericksburg Extension consists of the development, design, financing, construction, maintenance and operation of a 10-mile extension of the 95 Express Lanes in North America. Subsequent to 30 June 2019, the Group received $374 million for non-recourse Private Activity Bonds issued in connection with the project. Refer to notes B21 and B30 for further information.

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 the Group'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.

Going concern

THL's current liabilities exceed its current assets by $1,866 million as at 30 June 2019. This is primarily driven by borrowing facilities with maturities less than 12 months, the Group's distribution provision and the recognition of a construction obligation provision for the West Gate Tunnel Project. 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 $1,197 million (2018: $1,053 million).
- The Group has generated positive free cash of $1,527 million (2018: $1,215 million);
- The Group expects to refinance or repay with available cash all borrowing facilities classified as a current liability at 30 June 2019;
- The Group has paid $1,357 million of dividends and distributions to the Group's security holders over the past 12 months. Payment of future dividends is at the discretion of the Board;
- The Group has available a total of $1,650 million of undrawn general purpose borrowing facilities across a number of financial providers with a maturity beyond 12 months (total undrawn general purpose borrowing facilities is $1,677 million). Additionally, the Group has a further $64 million of undrawn borrowings facilities to provide funding for the Group's capital projects with a maturity beyond 12 months (total undrawn capital borrowings is $291 million);
- Subsequent to 30 June 2019 the Group has received cash proceeds of $944 million from the issuance of debt instruments with maturities beyond 12 months including $570 million in Euro Medium Term Notes (EMTN) for Corporate and $374 million in Private Activity Bonds to fund the construction of the Fredericksburg Extension project; and
- Subsequent to 30 June 2019 the Group has refinanced the Transurban Queensland capital expenditure facility for $500 million. The facility has a maturity 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.

B3 Basis of preparation (continued)

Foreign currency translation (continued)

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 throughout the course of the year (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.

New and amended standards and interpretations

The Group has adopted the following new or revised accounting standards and interpretations which became effective for the annual reporting period commencing 1 July 2018. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Description
AASB 15 *Revenue from Contracts with Customers*	Refer to note B5 *Revenue* for disclosure of the impact of the new accounting standard.
AASB 9 *Financial instruments*	Refer to note B35 *Changes in accounting policy* for disclosure of the impact of the new accounting standard.
AASB 2016-5 *Classification and measurement of share-based payment transactions*	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. The adoption of this standard did not have a material impact on the Group.
AASB 2017-1 *Transfer of investment property, annual improvements 2014-2016 cycle and other amendments*	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. The adoption of this standard did not have a material impact on the Group.
Interpretation 22 *Foreign currency transactions and advance currency*	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. The adoption of this interpretation did not have a material impact on the Group.

Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for the year ended 30 June 2019. 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 16 *Leases*	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. Operating lease payments are currently required to be expensed. On transition 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, in the statement of cash flows, the principal component of lease payments will be reclassified from operating to financing. 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 with a nominal value of $196 million (see note B29). The Group expects to recognise right-of-use assets with a discounted value of approximately $133 million on 1 July 2019, lease liabilities of $138 million (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and deferred tax assets of $1 million. Overall net assets will be approximately $4 million lower, and net current assets will be $10 million lower due to the presentation of a portion of the liability as a current liability.	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
AASB 16 *Leases (continued)*	The Group expects that net profit after tax will decrease by approximately $3 million for the year ending 30 June 2020 as a result of adopting the new standard. Proportional EBITDA used to measure segment results is expected to increase by approximately $13 million, as the operating lease payments were previously included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are now excluded from this measure. Proportional net costs are also expected to decrease by approximately $13 million. Operating cash flows will increase and financing cash flows will decrease by approximately $10 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. Free cash is expected to remain consistent under the new standard and an adjustment will be made in the calculation to deduct the portion of cash flows that will be classified as financing. The Group plans to adopt the modified retrospective approach to adoption. Accordingly, the new standard will be adopted without restating comparative information and will be recognised in the opening balance sheet on 1 July 2019. Proportional EBITDA, Proportional net costs and free cash are measures used to assess executive performance and targets will be adjusted to factor in the impact of changes from the new standard.		
Interpretation 23 *Uncertainty over income tax treatment*	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 interpretation and does not believe that the impact will be material based on the Group's tax positions at 30 June 2019.	1 January 2019	1 July 2019
AASB 2014-10 *Amendments to Australian Accounting Standards—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The AASB has made limited scope amendments to AASB 10 *Consolidated financial statements* and AASB 128 *Investments in associates and joint ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in AASB 3 *Business Combinations*). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.	1 January 2022	1 July 2022
AASB 2018-1 *Annual improvements 2015–2017 Cycle*	Amendments were made to the following accounting standards as part of the Annual Improvements 2015-2017 Cycle: • AASB 3 *Business Combinations* and AASB 11 *Joint Arrangements* to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business; • AASB 112 *Income Taxes* 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 *Borrowing Costs* 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 to the Group.	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
AASB 2018-6 *Amendments to Australian Accounting Standards—Definition of a Business*	Amendments to AASB 3 revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be a business without outputs, there will need to be an organised workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as an asset acquisition. Application of the new standard is prospective for acquisitions following the application date by the Group. The changes to the standard are not expected to materially impact the Group.	1 January 2020	1 July 2020
AASB 2018-7 *Amendments to Australian Accounting Standards—Materiality*	Amendments are primarily to AASB 101 and AASB 108 to refine the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. Application of the definition is not expected to significantly impact the Group.	1 January 2020	1 July 2020
Conceptual Framework for Financial Reporting	The International Accounting Standards Board (IASB) has issued the revised Conceptual Framework for Financial Reporting. 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 is under way.	1 January 2020	1 July 2020

Critical accounting estimates and judgements

Estimates and judgements are regularly 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
• Recoverability of goodwill, other intangibles assets and equity accounted investments	Concession Summary
• Construction risk of assets under construction	Note B17
• Provision for maintenance expenditure	Note B19
• Valuation of construction liability	Note B20
• Valuation of promissory notes and concession notes	Note B21
• Assessment of control of STP JV	Note B25

Operating performance

B4 Segment information

In the segment information provided to the Transurban Group Executive Committee (certain members of which act as the 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.

Significant items are those items where their nature is sufficiently significant 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%) West Gate Tunnel (100%)	Lane Cove Tunnel (100%) Hills M2 Motorway (100%) Cross City Tunnel (100%)		95 Express Lanes[1] (100%) 495 Express Lanes (100%) A25 (100%)
NON-100% OWNED AND CONSOLIDATED		M1 Eastern Distributor (75.1%) Interlink M5 Motorway[2] (65.38%)	Logan Motorway (62.5%) Gateway Motorway (62.5%) Go Between Bridge (62.5%) Clem 7 (62.5%) Legacy Way (62.5%) AirportlinkM7 (62.5%)	
NON-100% OWNED AND EQUITY ACCOUNTED		Westlink M7[3] (50%) WestConnex M4[4] (25.5%) NorthConnex[3] (50%) WestConnex M5[4] (25.5%) WestConnex M4-M5 Link[4] (25.5%)		

1. 395 Express Lanes and the Fredericksburg Extension are included in 95 Express Lanes.
2. M5 Motorway additional equity interest of 8.24% was acquired on 18 September 2018, raising the equity interest to 58.24% and moving the M5 investment from non-100% owned and equity accounted to the non-100% owned and consolidated category. An additional equity interest of 7.14% was acquired on 3 December 2018, bringing the equity ownership interest to 65.38%.
3. Westlink M7 and NorthConnex form the NorthWestern Roads Group (NWRG).
4. WCX (Transurban's effective ownership of WCX is 25.5%) was acquired on 27 September 2018 through the STP JV. There are three WestConnex concessions comprising M4, M5 and M4-M5 Link. The M5 concession includes the existing M5 East, the New M5 (East) and will include the existing M5 West from December 2026. The M5 West concession is currently under concession to Interlink Roads Pty Ltd until the current concession expiration date in December 2026.

B4 Segment information (continued)

Segment information—proportional income statement

2019

$M	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue	813	1,042	402	324	–	2,581
Other revenue	24	38	6	14	11	93
Total proportional revenue	**837**	**1,080**	**408**	**338**	**11**	**2,674**
Underlying proportional EBITDA	716	856	293	210	(59)	2,016
Significant items	–	(309)	–	(11)	–	(320)
Proportional EBITDA	**716**	**547**	**293**	**199**	**(59)**	**1,696**

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	763	279	130	(64)	1,796
Significant items	–	–	–	(21)	–	(21)
Proportional EBITDA	**688**	**763**	**279**	**109**	**(64)**	**1,775**

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 region 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. Construction revenue and construction costs are also excluded from proportional results.

Segment revenue

Revenue from external customers comprises toll, service and fee revenues earned on toll roads. Segment revenue reconciles to total statutory revenue as follows:

	Note	2019 $M	2018 $M
Total segment revenue (proportional)		**2,674**	**2,396**
Add:			
Revenue attributable to non-controlling interests		374	274
Construction revenue from road development activities		1,435	989
Intragroup elimination[1]		14	13
Less:			
Proportional revenue of non-100% owned equity accounted assets		(305)	(372)
Toll revenue receipts on A25 relating to concession financial asset[2]		(12)	(1)
Other revenue receipts on A25 relating to concession financial asset[2]		(14)	(1)
Total statutory revenue	B5	**4,166**	**3,298**

1. Statutory revenue recognised in relation to arrangements with the equity accounted investments that are eliminated for segment purposes.
2. The Executive Committee members acting as the chief operating decision maker 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 balance relating to cash received for the related concession financial asset receivable (see note B18).

B4 Segment information (continued)

Proportional EBITDA

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

	2019 $M	2018 $M
Proportional EBITDA	**1,696**	**1,775**
Add: EBITDA attributable to non-controlling interests	284	193
Less: Proportional EBITDA of non-100% owned equity accounted assets	(253)	(317)
Less: Significant items incurred by equity accounted assets[1]	295	–
Less: Toll and other revenue on A25 concession financial asset relating to repayments received from Ministry of Transport of Quebec (MTQ)[2]	(26)	(2)
Statutory profit before depreciation, amortisation, net finance costs, equity accounted investments and income taxes	**1,996**	**1,649**
Statutory depreciation and amortisation	(995)	(671)
Statutory net finance costs	(865)	(722)
Share of net profit/(loss) from equity accounted investments	(334)	33
Gain on revaluation of equity accounted investment in M5 Motorway	228	–
Profit before income tax	**30**	**289**

1. Refer to note B6 for further information.
2. The Executive Committee members acting as the chief operating decision maker 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 balance relating to cash received for the related concession financial asset receivable (see note B18).

B5 Revenue

	2019 $M	2018 $M
Toll revenue	2,643	2,249
Construction revenue	1,435	989
Other revenue	88	60
Total revenue	**4,166**	**3,298**

The Group adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 on a fully retrospective basis. 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 *Service Concession Arrangements* (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.

The Group concluded that there is no material change to the presentation, recognition, and measurement of revenue as a result of the transition to AASB 15 and consequently, the information presented for the prior comparative period has not been restated.

The Group's service concession arrangements fall into two types of models, the intangible asset model and the financial asset model as discussed below.

Service concession arrangements—intangible asset model

The revenue streams covered by this model are Toll revenue and Construction revenue. Revenue recognition principles for these revenue streams are discussed below:

Revenue type	Recognition
Toll revenue	The customer with respect to the operation or maintenance services is the user of the infrastructure and, therefore, each use made of the toll road by users is considered a performance obligation, and the related revenue is recognised at the point in time that the individual service is provided. Revenue is 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.
Construction revenue	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 over time, which is measured at fair value, determined by reference to the stand-alone selling price. 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.

B5 Revenue (continued)

Service concession arrangements—financial asset model

The Group's accounting policy for service concession arrangements under the financial asset model when applying AASB 15 *Revenue from Contracts with Customers* has not changed and is consistent with that disclosed at note B18 Concession financial asset. As at 30 June 2019, the Group's concession financial assets relate only to A25.

Revenue sharing

Toll revenue for the year ended 30 June 2019 is recognised net of revenue share of $23 million (2018: $2 million) to the grantor of A25, Ministry of Transport of Quebec (MTQ).

Other revenue

Other revenue includes management fee revenue, roaming fees and advertising revenue, and is recognised at the point in time the service is provided.

Interest income—receivables

Interest income (see note B13) from receivables and bank deposits is recognised using the effective interest method.

B6 Significant items

Significant items are 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:

	Note	Statutory $M	2019 Proportional $M	Statutory $M	2018 Proportional $M
Significant items included within total expenses					
Stamp duty on acquisition of M5 Motorway		(8)	(8)	–	–
Costs relating to WCX acquisition incurred by Transurban (2019), transaction and integration costs relating to A25 (2019 and 2018)		(17)	(17)	(21)	(21)
		(25)	**(25)**	**(21)**	**(21)**
Significant items included within share of net profit / (loss) of equity accounted investments[1]					
Stamp duty on acquisition of WCX by STP JV		(278)	(278)	–	–
Transaction and integration costs relating to acquisition of WCX by STP JV		(17)	(17)	–	–
		(295)	**(295)**	–	–
Significant items relating to gain on revaluation of equity accounted investment					
Disposal of equity accounted investment in M5 Motorway in exchange for acquisition of controlling interest	B24	228	–	–	–
Total significant items		**(92)**	**(320)**	**(21)**	**(21)**
Income tax benefit associated with above significant items		2	2	–	–
Net significant items		**(90)**	**(318)**	**(21)**	**(21)**

1. These costs are included within proportional EBITDA for segment reporting. Refer to the definition of proportional EBITDA at note B4 Segment information.

B7 Income tax

Income tax expense/(benefit)

	2019 $M	2018 $M
Current tax	76	32
Deferred tax	(154)	(215)
Under/(over) provision in prior years	(62)	4
	(140)	**(179)**
Deferred income tax benefit included in income tax expense/(benefit) comprises:		
Decrease in deferred tax assets	39	16
Decrease in deferred tax liabilities	(193)	(231)
	(154)	**(215)**

B7 Income tax (continued)

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

	2019 $M	2018 $M
Profit before income tax expense/(benefit)	**30**	**289**
Tax at the Australian tax rate of 30% (2018: 30%)	9	87
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	(107)	(197)
Equity accounted results	45	(10)
Tax rate differential	3	5
Change in tax rate	–	26
Non-deductible interest	28	14
Deductible tax depreciation	(7)	(3)
Gain on revaluation of equity accounted investment in M5 Motorway	(68)	–
Prior year tax losses utilised/(recognised)	2	(105)
Non-deductible other expenses	13	–
Assessable income from non-100% owned, controlled entities	4	–
(Over)/under provision in prior years	(62)	4
Income tax benefit	**(140)**	**(179)**
Tax expense/(income) relating to items of other comprehensive income and equity		
Cash flow hedges	(51)	(47)
Foreign currency translation	6	6
Other equity transactions	(5)	–
	(50)	**(41)**

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 was 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 were 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 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. The balance remains recoverable at 30 June 2019.

(Over)/under provision in prior years

Included in the (over)/under provision for the year ended 30 June 2019 is a $64 million adjustment to the tax base for the Legacy Way concession asset following confirmation in the period of the availability of certain deductions that existed at the acquisition date of Transurban Queensland in 2014.

B7 Income tax (continued)

Deferred tax assets and liabilities

		Assets		Liabilities
	2019 $M	2018 $M	2019 $M	2018 $M
The balance comprises temporary differences attributable to:				
Provisions	439	375	(12)	–
Current and prior year losses	956	870	–	–
Fixed assets/intangibles	580	557	(2,174)	(1,604)
Concession fees and promissory notes	–	–	(301)	(300)
Derivatives and foreign exchange	218	218	(40)	(96)
Other	29	11	–	–
Tax assets/(liabilities)	**2,222**	**2,031**	**(2,527)**	**(2,000)**
Set-off of tax	(1,115)	(1,010)	1,115	1,010
Net tax assets/(liabilities)	**1,107**	**1,021**	**(1,412)**	**(990)**
Movements:				
Closing balance 30 June	**2,031**	**1,966**	**(2,000)**	**(1,836)**
Change in accounting policy (see note B35)	**5**	**–**	**2**	**–**
Opening balance at 1 July	**2,036**	**1,966**	**(1,998)**	**(1,836)**
Credited/(charged) to the statement of comprehensive income	(39)	121	193	120
Change to US tax legislation credited/(charged) to the statement of comprehensive income	–	(137)	–	111
Credited/(charged) to equity	60	85	(10)	(44)
Acquired	17	40	(592)	(363)
Foreign exchange movements	26	25	(35)	(21)
Transfer from deferred tax assets/liabilities	(1)	(33)	1	33
Current year losses recognised/(prior year losses utilised) and under/(over) provision in prior years	123	(36)	(86)	–
Closing balance at 30 June	**2,222**	**2,031**	**(2,527)**	**(2,000)**
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**2,222**	**2,031**	**(2,527)**	**(2,000)**

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 substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax 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 tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

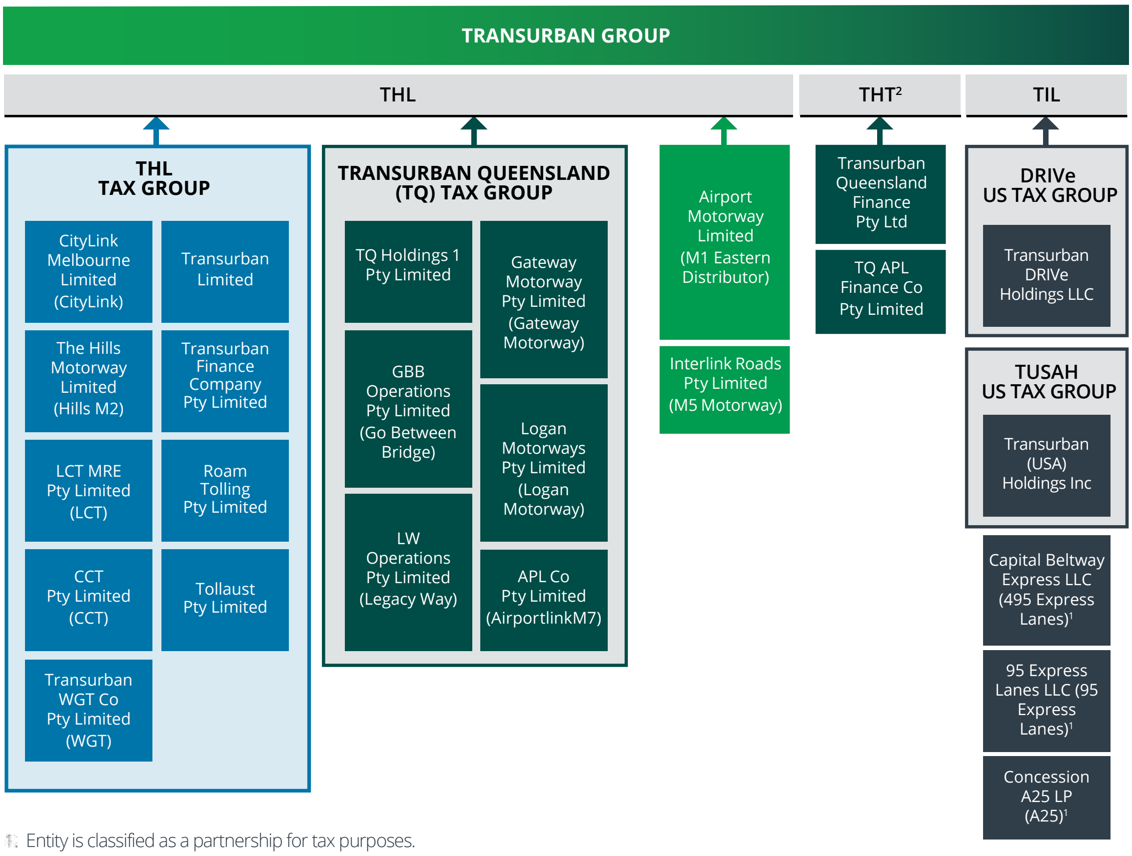
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised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

Airport Motorway tax consolidated group

The entities in the Airport Motorway Holdings ('AMH') tax consolidated group entered into a TSA effective from 2 July 2009. The entities in the AMH tax consolidated group have also entered into a TFA effective from 2 July 2009.

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

Interlink Roads Pty Limited

Interlink Roads Pty Limited is a stand-alone tax entity.

Transurban International tax consolidated group

The entities in the Transurban International Limited ('TIL') tax consolidated group entered into a TSA effective from 1 July 2018. The entities in the TIL tax consolidated group have also entered into a TFA effective from 1 July 2018.

Under the TFA the wholly-owned entities fully compensate TIL for any current tax payable assumed and are compensated by TIL 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. TIL 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.

B7 Income tax (continued)

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 partners 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.

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:

	Note	2019 $M	2018 $M
Current assets			
Cash and cash equivalents		1,630	1,130
Trade receivables		122	90
Other receivables		85	71
Concession financial asset	B18	28	26
Loan receivable at call		31	246
Prepayments		19	11
		285	**444**
Held-to-maturity investments		–	226
		1,915	**1,800**
Current liabilities			
Trade and other payables		(513)	(516)
		(513)	**(516)**
Net working capital		**1,402**	**1,284**

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 $503 million not available for general use at 30 June 2019 (2018: $380 million) of which $422 million (2018: $274 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 US government treasuries that are due to mature within 12 months, which management intends to hold to maturity.

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components in which case when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Trade receivables are generally due for settlement no more than 30 days from revenue recognition.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of toll revenue over historical periods and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward- looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

B8 Working capital (continued)

Trade receivables (continued)

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for trade receivables:

30 June 2019	Current	Up to 90 days past due	More than 90 days past due	Total
Expected loss rate	1%	12%	88%	NA[1]
Gross carrying amount ($M)	107	17	10	134
Loss allowance ($M)	(1)	(2)	(9)	(12)

1 July 2018	Current	Up to 90 days past due	More than 90 days past due	Total
Expected loss rate	1%	7%	92%	NA[1]
Gross carrying amount ($M)	67	14	13	94
Loss allowance ($M)	(1)	(1)	(12)	(14)

1. NA – Not applicable

The closing loss allowances for trade receivables as at 30 June 2019 reconciles to the opening loss allowance as follows:

	$M
30 June 2018—calculated under AASB 139	4
Amounts restated through opening retained earnings upon adoption of AASB 9	10
Opening loss allowance as at 1 July 2018—calculated under AASB 9	**14**
Increase in loss allowance recognised in profit or loss during the year	2
Receivables written off during the year as uncollectible	(4)
Unused amount reversed	–
30 June 2019—calculated under AASB 9	**12**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for an extended period.

Previous impairment accounting policy under AASB 139

Collectability of trade receivables was 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, recognised for current trade receivables that were considered potentially unrecoverable. As at 30 June 2018, trade receivables of $24 million were overdue but the Group concluded that these overdue amounts would be received in full.

Other financial assets at amortised cost

The group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

B8 Working capital (continued)

Other financial assets at amortised cost (continued)

Other financial assets at amortised cost include concession financial assets, other receivables and loan receivables at call recorded within trade and other receivables and treasury notes recorded within financial assets at amortised cost. Included within these balances at 30 June 2019, the Group has an outstanding receivable of $31 million (2018: $246 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.

Applying the expected credit loss model to the Group's other financial assets at amortised cost resulted in the recognition of a loss allowance of $9 million on 1 July 2018 (loss allowance under AASB 139 at 30 June 2018 was $nil). There have been no movements impacting the loss allowance in the year ending 30 June 2019. With the exception of a subset of other receivables recorded at amortised cost, the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses and was immaterial. Management consider receivables to be 'low credit risk' when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The subset of financial assets which have specific credit risk characteristics, have a loss allowance equivalent to the gross carrying amount of $9 million.

Security holder outcomes

B9 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

	2019	2018
Profit attributable to ordinary security holders of the stapled group ($M)	171	485
Weighted average number of securities (M)	2,578	2,138
Basic and diluted earnings per security attributable to the ordinary security holders of the stapled group (cents)	6.6	22.7

B10 Dividends/distributions and free cash

	Total $M	Paid in cash $M	Settled in securities $M	Cents	Date paid /payable
Dividends/distributions paid by the Group					
2018					
Declared 23 May 2017					
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 2017[1]					
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**	
2019					
Declared 21 May 2018[1]					
Franked THL	56	56	–	2.5	
Unfranked THT	567	567	–	25.5	
	623	**623**	**–**	**28.0**	10 August 2018
Declared 4 December 2018[2]					
Franked THL	27	26	1	1.0	
Unfranked THT	748	708	40	28.0	
	775	**734**	**41**	**29.0**	15 February 2019
Total paid FY19	**1,398**	**1,357**	**41**	**57.0**	
Dividends/distributions payable by the Group					
Declared 21 May 2019[2]					
Franked THL	53	–	–	2.0	
Unfranked THT	749	–	–	28.0	
	802	**–**	**–**	**30.0**	9 August 2019

1. Total declared FY18 is $1,198 million.
2. Total declared FY19 is $1,577 million.

B10 Dividends/distributions and free cash (continued)

Distribution policy and free cash calculation

The Group seeks to align distributions with free cash. The Group calculates free cash as follows:

	2019 $M	2018 $M
Cash flows from operating activities	**1,197**	**1,053**
Add back transaction and integration costs related to acquisitions	25	20
Add back payments for maintenance of intangible assets	117	95
Less debt amortisation of 100% owned assets	(3)	–
Less cash flow from operating activities from consolidated non-100% owned entities	(502)	(350)
Less allowance for maintenance of intangible assets for 100% owned assets	(62)	(49)
Adjust for distributions and interest received from non-100% owned entities		
M1 Eastern Distributor distributions	54	59
M5 Motorway dividends and term loan note interest[1]	133	82
Transurban Queensland distributions and shareholder loan note payments	306	164
NorthWestern Roads Group ('NWRG') distributions and shareholder loan note payments	240	141
STP distributions and shareholder loan note payments	22	–
Free cash	**1,527**	**1,215**
Weighted average securities on issue (millions)[2]	**2,673**	**2,140**
Free cash per security (cents)—weighted average securities	**57.1**	**56.8**

1. From the date of the WCX acquisition debt amortisation from M5 West (Transurban proportional share) are also added back to this figure due to the M5 West concession arrangement being transferred to the WCX ownership consortium at the end of the current M5 West concession arrangement in 2026, in which Transurban holds a 25.5% ownership interest. M5 Motorway dividends and term-loan notes interest received of $133 million is adjusted for debt amortisation of $38 million from 1 October 2018.
2. 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 note B9 Earnings per stapled security.

Franking credits

	2019 $M	2018 $M
Franking credits available for subsequent periods based on a tax rate of 30% (2018: 30%)	**142**	139

Franking credits available for subsequent periods relate to Airport Motorway Holdings Pty Ltd $117 million (2018: $132 million), Transurban Holdings Limited $21 million (2018: $7 million) and Interlink Roads Pty Ltd $4 million (2018: $nil).

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 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**
Additional provision recognised	1,577	183	1,760
Amounts paid	(1,357)	(192)	(1,549)
Amounts reinvested	(41)	–	(41)
Balance at 30 June 2019	**802**	**39**	**841**

Capital and borrowings

B11 Contributed equity

	2019 $M	2018 $M
Fully paid stapled securities	2,675	1,746

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 $15,954 million and $522 million respectively (2018: $12,243 million and $363 million respectively) is included within non-controlling interests—THT/TIL.

B12 Reserves

	Cash flow hedges $M	Share based payments $M	Foreign currency translation $M	Transactions with non-controlling interests $M	Total $M
Balance 1 July 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)**
Revaluation – gross	(80)	3	25	–	(52)
Deferred tax	19	–	(6)	–	13
Transactions with non-controlling interests	–	–	–	(7)	(7)
Share of other comprehensive income of equity accounted investments, net of tax	(2)	–	–	–	(2)
Balance 30 June 2019	**(190)**	**3**	**44**	**(6)**	**(149)**

Nature of reserves	Purpose of reserves
Cash flow hedges	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.
Share based payments	Used to recognise the grant date fair value of securities issued to employees and deferred securities granted to employees but not yet vested.
Foreign currency translation	Exchange differences arising on translation of the United States and Canadian operations of the Group are recognised in this reserve.
Transactions with non-controlling interests	The Group uses the economic entity approach when accounting for transactions with non-controlling interests.

B13 Net finance costs

	2019 $M	2018 $M
Finance income		
Interest income on financial assets at amortised cost	46	–
Unwind of discount on financial assets at amortised cost	23	–
Interest income on held-to-maturity investments	–	60
Interest income on bank deposits held at amortised cost	26	29
Income from concession financial asset	23	2
Net foreign exchange gains	–	6
Total finance income	**118**	**97**
Finance costs		
Interest and finance charges paid/payable	(839)	(739)
Unwind of discount on liabilities—maintenance provision	(44)	(55)
Unwind of discount on liabilities—construction obligation	(66)	–
Unwind of discount on liabilities—promissory and concession notes	(8)	(6)
Unwind of discount on liabilities—other liabilities	(19)	(19)
Net foreign exchange losses	(7)	–
Total finance costs	**(983)**	**(819)**
Net finance costs	**(865)**	**(722)**

An additional $52 million (2018: $25 million) of financing costs have been capitalised and included in the carrying value of assets under construction.

Income from concession financial asset

See note B5 for the revenue recognition policy relating to recognising finance income from the concession financial asset.

B14 Borrowings

	2019 $M	2018 $M
Current		
Capital markets debt	–	255
U.S. private placement	227	246
Term debt	732	23
Total current borrowings	**959**	**524**
Non-current		
Capital markets debt	10,232	8,232
U.S. private placement	3,445	2,466
Term debt	2,149	2,622
Transportation Infrastructure Finance and Innovation Act ('TIFIA')	1,325	1,243
Shareholder loan notes	356	308
Total non-current borrowings	**17,507**	**14,871**
Total borrowings	**18,466**	**15,395**

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.

B14 Borrowings (continued)

Accounting policy (continued)

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.

Financing arrangements and credit facilities

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

- August 2018

  Corporate letter of credit facilities for a total of $676 million were established across 1 and 5 year tenors. At 30 June 2019, $280m remain outstanding. All other letter of credit facilities were returned and facilities cancelled during FY19.

- November 2018

  Corporate priced CAD650 million of senior secured 10-year notes under its Euro Medium Term Note Programme. The notes are to remain in Canadian dollars to provide a balance sheet hedge for Transurban's Canadian dollar investment in the A25.

  Transurban Cardinal Holdings Limited priced CAD200 million of 4-year fixed rate senior secured notes which remain in Canadian dollars to also provide a hedge for Transurban's Canadian dollar investment in the A25 foreign operation.

- April 2019

  A Corporate Letter of Credit facility was refinanced from a $75 million facility to a USD150 million facility, with a tenor of 3 years.

- May 2019

  Transurban Queensland raised $875million of senior secured notes in the US private placement market, consisting of USD144 million and $30 million of 10-year notes, USD245 million of 12-year notes and USD180 million and $40 million of 15 year notes.

  Corporate issued €600 million of senior secured 10-year notes under the Euro Medium Term Note Programme.

During the reporting period, the equity accounted investments of the Group executed a number of financing activities including:

- September 2018

  STP JV raised $1.1 billion under a bridge facility to partially fund the upfront WCX purchase price. The facility was fully repaid in October 2018 using proceeds from the Stage 1 WCX debt raising.

- October 2018

  WCX raised $4.0 billion of non-recourse debt for the WCX New M4 (Stage 1) via a new senior bank debt facility split evenly across 3 and 5 year tenors.

- December 2018

  Westlink M7 issued $345 million of 12-year, $195 million of 15-year and $75 million of 20-year senior secured notes in the U.S. private placement market.

  WCX established a $600 million non-recourse senior bank debt construction facility for the WCX M4-M5 Link. The facility has a tenor of 7 years.

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

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 2019 $M	Carrying value 2018 $M
Capital markets debt			
EMTN CAD 250m	Mar 2019	–	255
EMTN EUR 500m	Oct 2020	811	789
EMTN EUR 600m	Sep 2024	973	946
EMTN EUR 500m	Aug 2025	811	788
US 144A USD 550m	Feb 2026	784	744
US 144A USD 550m	Mar 2027	784	744
EMTN NOK 750m	Jul 2027	126	125
EMTN EUR 500m	Mar 2028	811	788
EMTN CAD 650m	Nov 2028	708	–
EMTN EUR 600m	May 2029	974	–
Net capitalised borrowing costs		**(53)**	**(53)**
U.S. private placement			
Nov 2006—Tranche B USD 136m (plus accreted interest)	Nov 2018	–	246
Dec 2004—Tranche C USD 109m	Dec 2019	155	147
Dec 2004—Tranche D AUD 72m	Dec 2019	72	72
Aug 2005—Tranche C USD 157m	Aug 2020	223	212
Nov 2006—Tranche C USD 121m (plus accreted interest)	Nov 2021	231	219
Nov 2006—Tranche D USD 50m (plus accreted interest)	Nov 2026	96	91
Net capitalised borrowing costs		–	–
Total corporate debt, net of capitalised borrowing costs		**7,506**	**6,113**

	Maturity	2019 $M	2018 $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	293	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	293	272
Transurban Queensland Finance—EMTN CHF 175m	Nov 2026	256	238
Transurban Queensland Finance—EMTN Reg S USD 500m	Apr 2028	713	676
95 Express Lanes—Private activity bonds USD 72m	Jul 2034[1]	102	97
95 Express Lanes—Private activity bonds USD 107m	Jul 2034[1]	152	145
95 Express Lanes—Private activity bonds USD 170m	Jan 2040[1]	243	230
95 Express Lanes—Private activity bonds USD 126m	Jan 2040[1]	180	171
495 Express Lanes—Private activity bonds USD 225m	Dec 2047	320	304
Net capitalised borrowing costs[2]		**1**	6

1. This represents final maturity.
2. Net capitalised costs paid have been offset by $23m of Private activity bonds (PABs) premiums received during FY18.

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

		Carrying value	
	Maturity	2019 $M	2018 $M
U.S. private placement			
Transurban Cardinal Holdings—Nov 2018 CAD 200m	Feb 2023	218	–
Transurban Queensland Finance—Sep 2015—Tranche A USD 155m	Sep 2025	221	210
Transurban Queensland Finance—Dec 2016—Tranche A USD 130m	Dec 2026	185	176
Transurban Queensland Finance—Dec 2016—Tranche D AUD 35m	Dec 2026	35	35
Transurban Queensland Finance—Sep 2015—Tranche B USD 230m	Sep 2027	328	311
Transurban Queensland Finance—Dec 2016—Tranche B USD 225m	Dec 2028	321	304
Transurban Queensland Finance—May 2019—Tranche A AUD 30m	May 2029	30	–
Transurban Queensland Finance—May 2019—Tranche C USD 144m	May 2029	205	–
Transurban Queensland Finance—Sep 2015—Tranche C USD 256m	Sep 2030	365	346
Transurban Queensland Finance—Sep 2015—Tranche D AUD 70m	Sep 2030	70	70
Transurban Queensland Finance—May 2019—Tranche D USD 245m	May 2031	349	–
Transurban Queensland Finance—Dec 2016—Tranche C USD 78m	Dec 2031	111	106
Transurban Queensland Finance—Dec 2016—Tranche E AUD 75m	Dec 2031	75	75
Transurban Queensland Finance—May 2019—Tranche B AUD 40m	May 2034	40	–
Transurban Queensland Finance—May 2019—Tranche E USD 180m	May 2034	257	–
Transurban Queensland Finance—Jan 2017—Tranche F AUD 100m	Jan 2035	100	100
Net capitalised borrowing costs		**(15)**	**(8)**
Term debt			
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 227m[1]	Dec 2019	–	303
Hills Motorway Trust—Term debt AUD 350m	Mar 2020	350	350
M5 Motorway AUD 272m[2]	Dec 2020	122	–
Lane Cove Tunnel Trust—Term debt AUD 160m	May 2021	160	160
Airport Motorway Trust—Term debt AUD 226m[2]	May 2022	206	226
Hills Motorway Trust—Term debt AUD 408m	Nov 2022	408	408
M5 Motorway AUD 180m	Dec 2022	180	–
Concession A25 LP—Term debt CAD 383m[2]	Feb 2023	407	385
Lane Cove Tunnel Trust—Term debt AUD 60m	May 2025	60	60
M5 Motorway AUD 275m	Jun 2025	275	–
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		**(5)**	**(8)**

1. This facility was reduced by $593m during FY19.
2. These facilities require principal repayments throughout their life, with $104m due within one year of 30 June 2019 and are classified as current borrowings.

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

	Maturity	Carrying value 2019 $M	2018 $M
Non-recourse debt (continued)			
TIFIA loans			
495 Express Lanes—Facility limit USD 589m (plus accreted interest)	Oct 2047[1,2]	959	905
95 Express Lanes—Facility limit USD 300m (plus accreted interest)	Jan 2048[1,2]	366	338
Shareholder loan notes			
Loan from M5 Motorway consortium partners—AUD 65m	Jun 2022	65	–
Loan from Transurban Queensland consortium partners—AUD 281m	Dec 2048	281	281
Loan from Transurban Queensland consortium partners—AUD 39m[3]	Jul 2053	10	27
Total non-recourse debt, net of capitalised borrowing costs		**10,960**	**9,282**
Total borrowings		**18,466**	**15,395**

1. This represents final maturity.
2. These facilities require principal repayments throughout their life, with the first of such payment due in 2033 for 495 Express Lanes and 2035 for 95 Express Lanes.
3. A portion of these shareholder loan notes was repaid during FY18 and FY19.

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 2019 the facility was undrawn.

Capital markets debt

- A corporate secured Euro Medium Term Note (EMTN) program was established in October 2011 with a program limit of USD2 billion, which increased to USD5 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 USD2 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.

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;
- 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; and
- The Cardinal Hold Co Canadian Notes were a Private Placement issuance and are secured against the rights of Transurban Cardinal Holdings Ltd.

B14 Borrowings (continued)

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 M5 Motorway facility is secured against the respective rights of Interlink Roads Pty Limited 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.
- The loans to M5 Motorway from the non-controlling interests are unsecured.

Letters of credit and corporate credit facilities

		2019 $M		2018 $M	
	Maturity	Facility Amount	Amount Issued	Facility Amount	Amount Issued
Letter of credit facility[1]	Aug 2019	140	140	–	–
Letter of credit facility	Nov 2019	75	64	75	62
General credit facility[2]	Dec 2019	6	5	6	5
Letter of credit facility[3]	Jan 2020	240	240	240	240
Letter of credit facilities	Jul 2020	150	104	225	170
Letter of credit facility	Apr 2022	214	154	–	–
Letter of credit facility	Feb 2023	13	13	12	12
Letter of credit facility	Dec 2023	140	140	–	–
Total		**978**	**860**	**558**	**489**

1. Refinanced in July 2019 through to August 2020.
2. The general credit facility covers corporate requirements including credit card facilities, online banking and an overdraft facility.
3. Refinanced in July 2019 through to January 2021.

There are no claims against any of the issued letters of credit and therefore no liability is recorded (2018: nil).

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

1. Based on the balance sheet as at 30 June 2019, the Group's average closing security price over 20 consecutive business days would need to be below $4.86 (2018: $3.92) per security to trigger this clause.

B14 Borrowings (continued)

Non-Recourse Debt

Covenant	Threshold
A25 Interest Coverage Ratio	Greater than 1.05 times
M5 Motorway Debt Service Cover Ratio	Greater than 1.10 times
Airport Motorway Trust Interest Coverage Ratio	Greater than 1.15 times
Hills Motorway Trust Interest Coverage Ratio	Greater than 1.15 times
495 Express Lanes Senior Debt Service 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
Transurban Cardinal Holdings Senior Debt Service Coverage Ratio	Greater than 1.30 times
95 Express Lanes Senior Debt Service Coverage Ratio	Greater than 1.45 times

B15 Derivatives and financial risk management

Derivatives

	2019 $M		2018 $M	
	Current	Non-current	Current	Non-current
Assets				
Interest rate swap contracts—cash flow hedges	–	–	–	5
Forward exchange contract—cash flow hedges	1	–	1	–
Cross-currency interest rate swap contracts—cash flow hedges	9	293	20	212
Total derivative financial instrument assets	**10**	**293**	**21**	**217**
Liabilities				
Interest rate swap contracts—cash flow hedges	7	330	–	185
Forward exchange contracts—cash flow hedges	–	–	1	–
Cross-currency interest rate swap contracts—cash flow hedges	–	166	10	256
Total derivative financial instrument liabilities	**7**	**496**	**11**	**441**

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 the 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. When forward contracts are used to hedge forecast transactions, the Group generally designates the entire fair value of the forward contract as the hedging instrument.

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 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)

Accounting policy (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 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 100% (2018: 89%) 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 a portion of 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.

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 CAD denominated borrowings. 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 2019, the Group has deferred $148 million in losses (2018: $91 million losses) related to exchange differences on the revaluation of financial instruments and $104 million in gains (2018: $67 million gains) related to exchange differences on the net assets of its US and Canadian assets.

B15 Derivatives and financial risk management (continued)

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 review 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 the positive and negative exposures, existing hedges and the ability to offset exposures where possible.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk when future 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.

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	2019 $M
Net investment in foreign operation—USD	
Carrying amount	1,378
USD carrying amount	967
Hedge ratio	1:1
Change in carrying amount of loan as a result of foreign currency movements since 1 July 2018	70
Change in value of hedged item used to determine hedge effectiveness	59
Net investment in foreign operation—CAD	
Carrying amount	708
CAD carrying amount	650
Hedge ratio	1:1
Change in carrying amount of loan as a result of foreign currency movements since 1 July 2018	26
Change in value of hedged item used to determine hedge effectiveness	23
Cross-currency interest rate swaps	
Carrying amount	135
Notional amount	8,662
Hedge ratio	1:1
Change in discounted value of outstanding hedging instruments since 1 July 2018	115
Change in value of hedged item used to determine hedge effectiveness	(112)

Maturity profile—notional value of cross-currency interest rate swaps, are as follows:

2019 $M	Less than 12 months	1 – 5 years	Over 5 years	Total nominal amount
Cross-currency swaps (AUD:USD)	**109**	**(148)**	**2,810**	**2,771**
Average AUD-USD exchange rate	0.74	0.75	0.75	NA[1]
Average fixed interest rate[2]	2.2%	2.5%	5.1%	NA[1]
Cross-currency swaps (AUD:EUR)	**–**	**500**	**2,200**	**2,700**
Average AUD-EUR exchange rate	–	0.71	0.68	NA[1]
Average fixed interest rate[2]	–	4.8%	4.8%	NA[1]
Cross-currency swaps (AUD:CHF)	**–**	**200**	**375**	**575**
Average AUD-CHF exchange rate	–	0.71	0.68	NA[1]
Average fixed interest rate[2]	–	4.6%	4.5%	NA[1]
Cross-currency swaps (AUD:NOK)	**–**	**–**	**750**	**750**
Average AUD-NOK exchange rate	–	–	6.42	NA[1]
Average fixed interest rate[2]	–	–	4.5%	NA[1]

1. NA – Not applicable
2. Based on average fixed rate of cross currency swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

B15 Derivatives and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

Effectiveness of hedging relationships designated

2019 $M	Hedge gain/(loss) recognised in other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from other comprehensive income to profit or loss	Line item in profit or loss for reclassification
Foreign currency risk	(115)	5	Net finance costs	(36)	Net finance costs

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

					2019 Local $M					2018 Local $M
	USD	EUR	CAD	CHF	NOK	USD	EUR	CAD	CHF	NOK
Net investment in foreign operation	818	–	583	–	–	820	–	868	–	–
Borrowings	(3,738)	(2,700)	(650)	(575)	(750)	(3,350)	(2,100)	(250)	(575)	(750)
FX forwards	26	–	27	–	–	–	–	–	–	–
Cross-currency interest rate swaps	2,771	2,700	–	575	750	2,383	2,100	(596)	575	750
Net exposure	**(123)**	**–**	**(40)**	**–**	**–**	**(147)**	**–**	**22**	**–**	**–**

Sensitivity

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

		2019 $M		2018 $M
	Movement in post-tax profit	Increase/(decrease) in equity	Movement in post-tax profit	Increase/(decrease) in equity
AUD/USD				
+ 10 cents	–	(68)	–	(62)
- 10 cents	–	94	–	82
AUD/EUR				
+ 5 cents	–	(35)	–	(47)
- 5 cents	–	41	–	62
AUD/CAD				
+ 10 cents	–	3	–	(1)
- 10 cents	–	(4)	–	1
AUD/CHF				
+ 10 cents	–	(8)	–	(19)
- 10 cents	–	10	–	32
AUD/NOK				
+ 50 cents	–	(1)	–	(2)
- 50 cents	–	1	–	3

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)

Market risk (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 in compliance with the covenant requirements of funding facilities and up to 100%. At 30 June 2019, 100% (2018: 89%) of the Group's interest rate exposure on variable rate borrowings was hedged.

The effects of the interest rate related hedging instruments on the Group's financial position and performance are as follows:

	2019 $M
Interest rate swaps	
Carrying amount	210
Notional amount	2,807
Maturity dates	September 2019 – May 2034
Hedge ratio	1:1
Change in fair value of outstanding hedging instruments since 1 July 2018	(85)
Change in value of hedged item used to determine hedge effectiveness	114

Maturity profile – notional value of interest rate swaps

2019 $M	Less than 12 months	1 – 5 years	Over 5 years	Total nominal amount
Interest rate swaps	847	980	980	2,807
Average fixed interest rate[1]	3.2%	2.8%	3.2%	–

1. Based on average fixed rate of interest rate swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

Effectiveness of hedging relationships designated

2019 $M	Hedge gain/(loss) recognised in other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from other comprehensive income to profit or loss	Line item in profit or loss for reclassification
Interest rate risk	154	2	Net finance costs	–	Net finance costs

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

	2019 $M	2018 $M
Cash and cash equivalents	1,630	1,130
Floating rate borrowings	(3,438)	(3,149)
Interest rate swaps (notional principal amount)	3,438	2,803
Net exposure to interest rate risk	**1,630**	**784**

Sensitivity

Sensitivity to interest rate movements based on variable rate cash balances, variable rate borrowings and interest rate swap contracts is as follows:

	Movement in post-tax profit and equity 2019 $M	Movement in post-tax profit and equity 2018 $M
Interest rates +100bps	16	8
Interest rates –100bps	(16)	(8)

B15 Derivatives and financial risk management (continued)

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 in 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 (1 to 5 years) by maintaining accurate forecasts of operating expenses, committed capital expenditure and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

Short term liquidity is managed by maintaining a strategic liquidity reserve. This reserve is based on the Group's forecast annual operating costs and certain risk exposure scenarios as maintained by the Group's strategic risk register, and is maintained as cash and undrawn facilities. The reserve is maintained on a rolling 12 month basis. Medium term liquidity forecasting is maintained on a rolling five year horizon.

Financing arrangements

The Group had access to the following undrawn borrowing facilities[1] at the end of the reporting period:

	2019 $M	2018 $M
Floating rate		
Expiring within one year	252	–
Expiring beyond one year	1,716	2,253
	1,968	**2,253**

As at 30 June 2019, the Group has letter of credit facilities and general credit facilities in place with undrawn capacity of $118 million (2018: $69 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.

2019 $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	513	–	–	–	–	–	513	513
Borrowings	1,379	2,184	1,304	1,922	755	17,783	25,327	18,466
Interest rate swaps[1]	66	54	45	37	32	142	376	337
Cross-currency swaps[1]	152	168	155	155	145	518	1,293	(137)
Concession and promissory notes	–	–	–	–	–	546	546	107
Other liabilities	83	4	335	4	4	155	585	412
Total	**2,193**	**2,410**	**1,839**	**2,118**	**936**	**19,144**	**28,640**	**19,698**

1. The carrying value of the interest rate and cross-currency swaps have been presented on a net basis. The gross position is disclosed in the first table of note B15.

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**

1. The undrawn borrowing facilities include $291 million (2018: $578 million) of undrawn borrowing facilities to provide funding for the Group's capital projects.

B15 Derivatives and financial risk management (continued)

Capital management

The Group is subject to a gearing ratio covenant imposed by senior secured lenders and it 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.

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.

Concession summary

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

2019 $M	Equity accounted investment carrying amount	Service concession intangible assets net book value	Concession financial assets	Assets under construction[1]	Goodwill	Maintenance provision
Melbourne	–	3,039	–	3,811	1	(155)
Sydney	3,610	6,742	–	–	260	(228)
Brisbane	–	7,566	–	445	205	(620)
North America	4	4,045	369	856	–	(159)
Net book amount	**3,614**	**21,392**	**369**	**5,112**	**466**	**(1,162)**

2018 $M	Equity accounted investment carrying amount	Service concession intangible assets net book value	Concession financial assets	Assets under construction[1]	Goodwill	Maintenance provision
Melbourne	–	3,188	–	675	1	(135)
Sydney	469	4,933	–	3	260	(183)
Brisbane	–	7,736	–	300	205	(627)
North America	5	3,917	349	165	–	(118)
Net book amount	474	19,774	349	1,143	466	(1,063)

1. Assets under construction are included within other intangible assets in the consolidated balance sheet.

Key estimate

The Group makes certain assumptions in calculating the recoverable amount of its goodwill (Note B16), other intangible assets (Note B17) and equity accounted investments (Note B25). These include assumptions around expected traffic flows and forecast operational costs.

In performing the value-in-use calculation for Goodwill, the Group has applied the assumptions noted in the table in Note B16. Management does not consider that any reasonable possible change in the assumptions will result in the carrying value of a cash generating unit exceeding its recoverable amount.

B16 Goodwill

	2019 $M
Cost	466
Net book amount	**466**

	2018 $M
Cost	466
Net book amount	**466**

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

The Group assesses whether there is an indication of impairment at each reporting period and tests goodwill 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 (CGU) have been determined based on value-in-use calculations.

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 plans 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	
	2019	2018	2019	2018	2019	2018
Long term CPI (% annual growth)	2.5%	2.5%	2.5%	2.5%	2.7%	2.7%
Long term average weekly earnings (% annual growth)	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Pre-tax discount rate (%)	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%

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

Assumption	Approach used to determined 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 Other intangible assets

2019 $M	Concession assets	Assets under construction	Other intangibles	Total
Cost	27,539	5,112	106	32,757
Accumulated amortisation	(6,147)	–	(6)	(6,153)
Net book amount	**21,392**	**5,112**	**100**	**26,604**

2018 $M	Concession assets	Assets under construction	Other intangibles	Total
Cost	25,032	1,143	21	26,196
Accumulated amortisation	(5,258)	–	–	(5,258)
Net book amount	**19,774**	**1,143**	**21**	**20,938**

Movement in other intangible assets

	Concession assets $M	Assets under construction $M	Other intangibles $M	Total $M
Opening balance 1 July 2017	**17,793**	**1,071**	**–**	**18,864**
Additions	–	1,188	21	1,209
Acquisition of subsidiary	1,338	–	–	1,338
Foreign exchange movements and other adjustments	120	1	–	121
Transfers	1,117	(1,117)	–	–
Amortisation charge	(594)	–	–	(594)
Net book amount 30 June 2018	**19,774**	**1,143**	**21**	**20,938**
Additions	23	4,019	85	4,127
Acquisition of subsidiary	2,196	–	–	2,196
Foreign exchange movements and other adjustments	215	10	–	225
Transfers	60	(60)	–	–
Amortisation charge	(876)	–	(6)	(882)
Net book amount 30 June 2019	**21,392**	**5,112**	**100**	**26,604**

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). Assets under construction are accounted for as contract assets in accordance with AASB15 Revenue from Contracts with Customers until they are available for use. The Group classifies assets under construction based on whether the consideration provides rights to an intangible asset or a financial asset.

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 to be returned to the respective Government. The remaining terms of the right to operate period are reflected below:

	2019 years	2018 years
Melbourne—Victorian State Government	26	17
Sydney—New South Wales State Government	7–29	18–30
Brisbane—Queensland State Government and Brisbane City Council	32–46	33–47
North America—Commonwealth of Virginia and Ministry of Transport of Quebec (MTQ)	23–68	24–69

During the year ended 30 June 2019 the CityLink Concession Deed in Melbourne was amended and the concession end date was extended from January 2035 to January 2045. Additionally, in relation to the controlling interest acquired for the M5 Motorway in Sydney, the concession end date is December 2026.

B17 Other intangible assets (continued)

Indicators of impairment

At each reporting period the Group assesses whether there is an indication of impairment. Where an indicator of impairment is identified, impairment testing is performed using the same approach as the Group's annual goodwill impairment testing. There were no indicators of impairment as of 30 June 2019.

Assets under construction

In April 2019, legislation and parliamentary consents came into effect in connection with the West Gate Tunnel Project in Melbourne. The West Gate Tunnel Project is being funded by the right to toll from the amended CityLink Concession Deed and the right to toll the West Gate Tunnel once construction is completed. With funding sources from the amended CityLink Concession Deed confirmed, the Group has recognised an incremental asset under construction and a corresponding liability of $2,343 million, as of 11 April 2019. The incremental asset and corresponding liability represents the Group's obligation to complete the construction of the West Gate Tunnel attributable to the remaining CityLink funding sources payments, discounted to their present value. Funding sources in connection with the CityLink Concession Deed will begin to be received from 1 July 2019, at which time the asset under construction attributable to the CityLink funding sources will begin to amortise through to the concession end date of January 2045. There has been no change to the accounting for funding source payments attributable to future West Gate Tunnel tolling income and the incremental asset value is being recorded progressively as incurred.

Assets under construction at 30 June 2019 include the construction of the West Gate Tunnel Project in Melbourne, the Logan Enhancement Project in Brisbane, and the 395 Express Lanes and Fredericksburg Extension in North America.

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 Inner City Bypass in Brisbane.

Key estimate

As at 30 June 2019 the Group has a number of construction projects at varying stages of completion. The Group is exposed to direct and indirect construction risk including through its third party contractors. Construction risk includes exposures to claims made on the Group and claims that the Group may pass through or initiate on others. The Group continuously monitors its exposure to construction risk, assessing impacts to the financial statements at the conclusion of each reporting period.

B18 Concession financial asset

The Group's financial assets relate only to A25 as at 30 June 2019 and 30 June 2018.

		2019 $M	2018 $M
Opening carrying value 1 July		**349**	**–**
Acquisition of subsidiary	B24	–	351
Additional finance income recognised	B13	23	2
Cash received		(26)	(2)
Foreign exchange movements and other adjustments		23	(2)
Closing carrying value		**369**	**349**
Including:			
Current asset	B8	28	26
Non-current asset		341	323
Total concession financial asset		**369**	**349**

The financial asset model within IFRIC 12 applies to service concession arrangements whereby the Group 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 the Group 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 the Group 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 the Group. 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 group classifies its Concession financial assets at amortised cost as the objective of the Group's business model is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Applying the expected credit loss model to the Group's Concession financial assets at amortised cost resulted in $Nil loss allowance being recorded (loss allowance under AASB 139 at 30 June 2018 was $nil). There have been no movements impacting the loss allowance in the year ending 30 June 2019.

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, while 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 MTQ, including the availability payments and the minimum guaranteed toll income; and
- Intangible asset model for the remaining income streams (see note B17).

B19 Maintenance provision

Movement in maintenance provision

	Current $M	Non-current $M
Carrying value at 1 July 2017	**99**	**895**
Additional provision recognised	–	88
Acquisition of subsidiary	1	18
Amounts paid/utilised	(95)	–
Unwinding of discount	–	55
Transfer	144	(144)
Foreign exchange movements	–	2
Carrying value at 30 June 2018	**149**	**914**
Additional provision recognised	–	129
Acquisition of subsidiary	2	38
Amounts paid/utilised	(120)	–
Unwinding of discount	–	44
Transfer	125	(125)
Foreign exchange movements	–	6
Carrying value at 30 June 2019	**156**	**1,006**

B19 Maintenance provision (continued)

Movement in maintenance provision (continued)

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 (including associated tolling equipment and systems). The Group records a provision for its present obligation to maintain the motorways held under concession deeds. The Group periodically reassesses the estimate of its present obligation, which includes consideration of the results of routine inspections performed over the condition of the roads it operates. Any incremental maintenance and repair activities identified through this process are assessed for whether they are the sole responsibility of the Group or whether they are the responsibility of other parties. To the extent the Group believes other parties are responsible for the maintenance or repair or remediation, the Group may initiate claims on those parties. These assessments inform the timing and extent of planned future maintenance activities, notwithstanding the provision recorded at period end continues to capture the Group's maintenance and repair obligations under the 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.

B20 Construction obligation provision

West Gate Tunnel Project

The West Gate Tunnel Project is being funded by tolling income from the amended CityLink Concession Deed and the receipt of future tolling income from the West Gate Tunnel Project. Amendments to the CityLink Concession Deed came into effect in April 2019, requiring the recognition of an incremental asset and corresponding liability. The liability represents the Group's obligation to complete construction of the West Gate Tunnel Project, attributable to the remaining CityLink funding sources payments. The liability will reduce as payments are made in connection with the CityLink funding sources.

The nominal value of the remaining funding sources payments attributable to CityLink is $2,401 million at 30 June 2019.

	Current West Gate Tunnel Project $M	Non-current West Gate Tunnel Project $M	Total $M
Net book amount 30 June 2018	–	–	–
Liability recognised on date of transaction	1,018	1,325	**2,343**
Amounts paid/utilised	(187)	–	**(187)**
Unwinding of discount	–	66	**66**
Net book amount 30 June 2019	**831**	**1,391**	**2,222**

Key estimate

The Group has a construction liability for the West Gate Tunnel Project attributable to the CityLink funding sources from the CityLink Concession Deed Amendments. The construction liability is measured at the present value of the remaining CityLink funding sources payments. Assumptions are made in determining the timing and profile, based on the expected cash flows to be paid through completion of construction of the West Gate Tunnel Project. A discount rate is used to value the construction liability to its present value, which is determined with reference to the Group's cost of debt. A discount rate of 5.1% has been used on recognition of the liability at 11 April 2019.

The current balance represents the payments Group expects to be made within 12 months from the reporting date, with the non-current portion being the present value of payments beyond 12 months from the reporting date.

B21 Other liabilities—concession liabilities

	2019 $M	2018 $M
M1 Eastern Distributor concession note	44	40
M2 Motorway promissory note	63	50
Fredericksburg Extension payable	363	–

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 2019 is $330 million (2018: $315 million).

M2 Motorway

The Hills Motorway Trust has entered into leases with the RMS. Annual lease liabilities under these leases total $12 million (2018: $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 2019 is $216 million (2018: $204 million).

Fredericksburg Extension project

The 95 Express Lanes service concession agreement was amended following commercial close of the Fredericksburg Extension project in April 2019. A series of payments are due to the Virginia Department of Transportation (VDOT) in connection with the construction of the project, payable between commercial close and construction completion. As at 30 June 2019, a current liability of $78 million and a non-current liability of $285 million has been recorded. The nominal value of the payable is $408 million.

Key estimate

Concession and promissory notes

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 7.9% (2018: 9.1%) 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.

Group structure

B22 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, M5 Motorway 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 entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. The Group currently has an interest in one associate being BlueDot. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group's investments in joint ventures during the period comprised WCX (from 27 September 2018), NorthWestern Roads Group (NWRG) (which holds the Westlink M7 and NorthConnex assets) and, until 18 September 2018, Interlink Roads Pty Ltd (which holds the M5 Motorway asset).

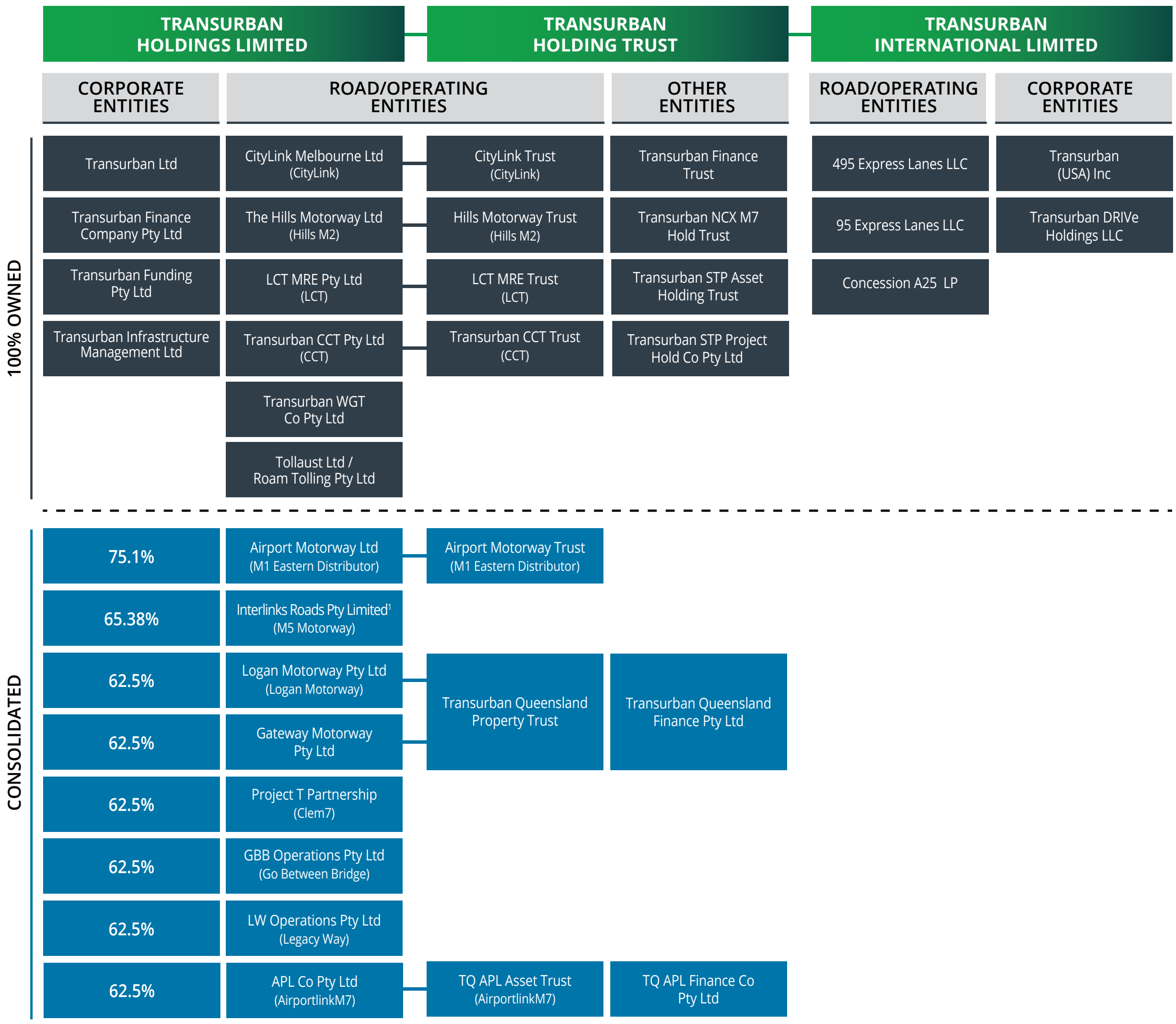
Interests in the associate and the joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases. 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 entities 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.

B23 Material subsidiaries

The Group's material subsidiaries as at 30 June 2019 are outlined in the Group structure diagram below.



1. The acquisition of M5 occurred on 18 September 2018.

B24 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 gain on 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 obtaining control. 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.

Year ended 30 June 2019 acquisitions

M5 Motorway

On 18 September 2018, the Group completed the acquisition of an additional 8.24% equity interest of the company that holds the M5 Motorway concession in Sydney, New South Wales (and a corresponding additional interest in the M5 Motorway term loan notes) through an all cash offer of $116 million. After this acquisition, the Group's overall equity ownership interest in M5 Motorway increased to 58.24%. The Group has determined that this increased equity ownership provides the Group with control over the M5 Motorway.

The transaction has been accounted for as a step-up acquisition, being a disposal of the Group's existing 50% equity accounted investment in M5 Motorway at its fair value on 18 September 2018 in exchange for the acquisition of a 58.24% controlling interest in M5 Motorway as if this is a business acquisition. During the current financial year the Group incurred $8m of transaction costs relating to the acquisition of the additional interest in the M5 Motorway. These costs primarily relate to stamp duty and have been included in the Group's consolidated statement of comprehensive income for the year ended 30 June 2019 and disclosed as a significant item (see note B6).

Reconciliation of valuation of existing 50% equity accounted investment on date of consolidation

	$M
Fair value of 50% equity interest in M5 Motorway	332
Less: Carrying value of equity accounted investment in M5 Motorway (net of Reserves: $2 million)	(104)
Gain on revaluation of equity accounted investment in M5 Motorway	**228**

Reconciliation to consolidated statement of cash flows for the year ended 30 June 2019

	$M
Total cash consideration paid	116
Cash and cash equivalents acquired	(51)
Payments for acquisition of subsidiaries and term loan notes, net of cash acquired	**65**

Consideration transferred

The following table summarises cash paid on acquisition:

	$M
Total cash consideration paid	116
Less: fair value of 8.24% of M5 Motorway debt notes acquired	(15)
Cash consideration for 8.24% equity investment in M5 Motorway	**101**

Total value of net assets acquired

	$M
Cash consideration for 8.24% equity investment in M5 Motorway	101
Fair value of 50% equity accounted investment in M5 Motorway	332
Proportionate share of 41.76% non-controlling interest in M5 Motorway	277
Total	**710**

B24 Business combinations (continued)

Year ended 30 June 2019 acquisitions (continued)

Identifiable assets acquired and liabilities assumed

The provisionally determined fair values of the assets and liabilities of M5 Motorway as at acquisition date are as follows:

	$M
Cash and cash equivalents	51
Trade and other receivables	10
Concession intangible assets and property, plant and equipment	2,202
Trade and other payables	(69)
Provisions	(54)
Interest bearing liabilities	(654)
M5 Motorway term loan notes	(185)
Financial derivatives liabilities	(16)
Deferred tax liabilities	(575)
Total identified assets acquired	**710**
Net assets attributable to non-controlling interest	(277)
Net assets attributable to Transurban Group's security holders	**433**

The M5 Motorway term loan notes have been eliminated through the consolidation of the M5 Motorway. On consolidation a liability owing to the non-controlling interest is recorded.

Goodwill

The assets and liabilities of the M5 Motorway were measured at fair value at the acquisition date of 18 September 2018 with fair values having been determined on a provisional basis. The total provisional fair value is allocated to M5 Motorway concession asset and no goodwill has been recognised.

Revenue and profit contribution

From the date of acquisition to 30 June 2019, revenue of $248 million and a statutory loss after taxation of $25 million was included in the profit or loss with regard to the M5 Motorway. Excluding significant items related to the acquisition, M5 Motorway contributed a net loss after taxation of $16 million.

If the acquisition had occurred on 1 July 2018, revenue of $317 million, and a statutory loss after taxation of $31 million would have been recognised for the year ended 30 June 2019. Excluding significant items related to the acquisition, the net loss after taxation would have been $22 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.

B24 Business combinations (continued)

Year ended 30 June 2019 acquisitions (continued)

Additional ownership acquisition from non-controlling interest

On 3 December 2018, the Group acquired an additional 7.14% interest in M5 Motorway for a total consideration of $99 million, comprising $86 million for the additional equity interest and $13 million to acquire an additional 7.14% of the M5 Motorway term loan notes. As there is no change in control from this transaction, it has been accounted for as a transaction between shareholders within equity, with no impact to profit or loss. Transaction costs on acquisition of the additional 7.14% interest relate to stamp duty of $7 million and are also recorded as a transaction between shareholders within equity. This transaction took the Group's total equity interest in the M5 Motorway to 65.38%.

Year ended 30 June 2018 acquisitions

A25

On 5 June 2018, the Group acquired 100% of the entities that hold the A25 concession in Montreal, Canada. Fair values of acquired assets and liabilities as at acquisition were reported on a provisional basis in the 30 June 2018 financial statements and have been adjusted within the 12 month measurement period as outlined below.

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

	Provisional fair value $M	Adjustments to provisional fair value $M	Final fair value $M
Cash and cash equivalents	23	–	23
Trade and other receivables	16	–	16
Concession asset—financial asset model	351	–	351
Concession asset—intangible asset model	1,324	14	1,338
Other assets	1	–	1
Trade and other payables	(20)	–	(20)
Provisions	(29)	(9)	(38)
Borrowings	(387)	–	(387)
Derivative financial instruments	(92)	–	(92)
Deferred tax liabilities	(318)	(5)	(323)
Net identified assets acquired	**869**	**–**	**869**

B25 Equity accounted investments

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

	STP JV		NWRG		M5 Motorway		Other		Total	
	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M
Opening carrying value at 1 July	**–**	**–**	**347**	**488**	**122**	**166**	**5**	**–**	**474**	**654**
Acquisition	3,411	–	–	–	–	–	–	5	3,411	5
Acquisition costs	9	–	–	–	–	–	–	–	9	–
Group's share of net profit/(loss)[1,2]	(343)	–	–	–	10	33	(1)	–	(334)	33
Group's recognised share of other comprehensive income/(loss)	(74)	–	–	–	–	1	–	–	(74)	1
Dividends received	(18)	–	(142)	(141)	(30)	(78)	–	–	(190)	(219)
NWRG shareholder loan modification	–	–	290	–	–	–	–	–	290	–
Disposal due to M5 Motorway step-up acquisition	–	–	–	–	(102)	–	–	–	(102)	–
Acquisition of and capital contributions to STP JV	68	–	–	–	–	–	–	–	68	–
Fair value adjustment on issuance of shareholder loans to STP JV	62	–	–	–	–	–	–	–	62	–
Closing carrying value at 30 June	**3,115**	**–**	**495**	**347**	**–**	**122**	**4**	**5**	**3,614**	**474**
Cumulative losses not recognised[2]	–	–	401	450	–	–	–	–	378	450

1. STP JV Group's share of losses includes stamp duty on acquisition of WCX. Refer to note B6.
2. 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%. For the year ended 30 June 2019, the Group has eliminated a gain disclosed within the NWRG summarised financial information of $47 million ($24 million at 50%) relating to the sale of the Roam customer base to the Group.

Joint ventures

STP JV (50% ownership interest)

To facilitate the WCX acquisition, the STP JV was established by Transurban (50%), AustralianSuper (20.5%), CPPIB (20.5%) and Tawreed (9%). The STP JV and its subsidiaries is jointly controlled by Transurban, AustralianSuper and CPPIB.

On 27 September 2018, the STP JV acquired a controlling 51% stake in WCX from the NSW State Government. On the same date, Transurban also executed a Master Services Agreement with WCX to provide operational services over the concession life of WCX.

WCX has long-dated concessions through to 2060 and includes 33-kilometres of new or improved motorway linking Sydney's west and southwest with the CBD, and the corridor to Sydney Airport and Port Botany.

To fund STP JV's acquisition of WCX, the Group contributed $3,411 million equity into STP JV and also subscribed to shareholder loan notes (SLNs) with a face value of $700 million. The SLNs earn interest at a rate equivalent to the weighted average of the interest rate applicable to WCX's senior secured debt plus a margin. The agreement includes a mechanism to capitalise interest should funds not be available to settle accrued interest. The SLNs are repayable 10 years after their respective issuance date. The SLNs are presented within non-current financial assets at amortised cost in the consolidated balance sheet. The Group has measured the SLNs at fair value on initial recognition and the SLNs are being subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the SLNs and the fair value on the date of issuance has been treated as a contribution to the equity accounted investment in STP JV.

The following entities are part of the STP JV Group:

- STP Project Trust
- STP Asset Trust
- STP PT Pty Ltd
- STP AT Pty Ltd.

Key estimate

The Group's assessment that it does not control STP JV has been made by considering the terms of the Investment Agreement signed by the JV partners. This Agreement requires a supermajority vote of at least 82.5% of all shareholders for the decisions on the significant relevant activities made by the JV. As such, noting this and other factors, the Group concluded that it, together with AustralianSuper and CPPIB, jointly controls the STP JV and its controlled entities.

B25 Equity accounted investments (continued)

Joint ventures (continued)

NWRG (50% ownership interest)

The Group has a 50% ownership interest in NWRG, 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).

NWRG shareholder loan modification

During the period the NWRG and its shareholders modified the existing SLNs on issue. The modified SLNs include an at call facility (maturity date is greater than 12 months). The at call loan has been recorded at fair value on initial recognition and will be subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the at call loan and the fair value has been treated as a contribution to the equity accounted investment in NWRG.

M5 Motorway (50% ownership interest as of 1 July 2018 through to date of disposal of the Group's equity accounted investment in M5 Motorway)

Tolls are collected on the M5 Motorway in both directions, with four toll collection points. The concession for the M5 Motorway was extended to December 2026 following completion of the M5 Motorway widening.

Disposal due to M5 Motorway step-up acquisition

As described in note B24, the acquisition of the additional interest in the M5 Motorway in September 2018 has resulted in the Group obtaining control over the M5 Motorway and this has resulted in the derecognition of the Group's equity accounted investment in M5 Motorway at that.

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.

B25 Equity accounted investments (continued)

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.

	STP JV[1]		NWRG		M5 Motorway[2]		Other		Total	
	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M
Summarised balance sheet—100%										
Cash and cash equivalents	1,283	–	115	133	–	66	1	1	1,399	200
Other current assets	101	–	234	166	–	9	–	1	335	176
Non-current assets	21,549	–	3,209	3,202	–	344	–	–	24,758	3,546
Current liabilities	(310)	–	(426)	(565)	–	(158)	(1)	–	(737)	(723)
Non-current liabilities	(9,179)	–	(2,990)	(3,268)	–	(777)	(2)	–	(12,171)	(4,045)
Net (liabilities)/assets	**13,444**	**–**	**142**	**(332)**	**–**	**(516)**	**(2)**	**2**	**13,584**	**(846)**
Summarised statement of comprehensive income—100%										
Revenue	200	–	486	442	68	302	1	1	755	745
Construction revenue	1,211	–	148	128	–	–	–	–	1,359	128
Depreciation and amortisation	(126)	–	(81)	(80)	(9)	(43)	–	–	(216)	(123)
Other expenses	(647)	–	(70)	(70)	(10)	(40)	(5)	(3)	(732)	(113)
Construction expenses	(1,211)	–	(148)	(128)	–	–	–	–	(1,359)	(128)
Net finance costs	(144)	–	(180)	(212)	(9)	(41)	–	–	(333)	(253)
Income tax benefit/(expense)	(10)	–	(59)	–	(13)	(58)	–	–	(82)	(58)
Profit/(loss)	**(727)**	–	**96**	80	**27**	120	**(4)**	(2)	**(608)**	**198**
Other comprehensive income/(loss)	(284)	–	9	10	–	1	–	–	(275)	11
Total comprehensive income/(loss)	**(1,011)**	–	**105**	90	**27**	121	**(4)**	(2)	**(883)**	**209**

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

Ownership interest	**50%**	**0%**	**50%**	**50%**	**50%**	**50%**	**20%**	**20%**		
Proportional total comprehensive income/(loss)	(417)	–	53	45	14	61	(1)	–	(351)	106
Amortisation of fair value uplift	–	–	–	–	(4)	(27)	–	–	(4)	(27)
Group's share of comprehensive income/(loss)	(417)	–	53	45	10	34	(1)	–	(355)	79
Profits not recognised (excluding other comprehensive income)	–	–	(48)	(40)	–	–	–	–	(48)	(40)
Group's recognised share of total comprehensive income/(loss)	(417)	–	–	–	10	34	(1)	–	(408)	34
Group's share of dividends/distributions received	18	–	142	141	30	78	–	–	**190**	**219**

1. The summarised statement of comprehensive income for STP JV is presented above from the date of acquisition which is 27 September 2018.
2. The summarised statement of comprehensive income for M5 Motorway is presented above through 18 September 2018, the date of disposal of the Group's equity accounted investment in M5 Motorway.

B26 Non-controlling interests—other

Set out below is the summarised financial information for each material subsidiary (see note B23) that has non-controlling interests (NCI) that are material and external to the Group and the total external non-controlling interest. The amounts disclosed are before intercompany eliminations.

	Transurban Queensland 37.5%		Airport Motorway 24.9%		M5 Motorway[1] 34.62%		Total non-controlling interests	
	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M
Summarised balance sheet								
Current assets	128	142	11	11	23	–	162	153
Non-current assets	9,148	9,019	1,467	1,642	1,992	–	12,607	10,661
Current liabilities	(345)	(278)	(193)	(230)	(168)	–	(706)	(508)
Non-current liabilities	(6,500)	(5,999)	(925)	(1,046)	(1,263)	–	(8,688)	(7,045)
Net assets	**2,431**	**2,884**	**360**	**377**	**584**	**–**	**3,375**	**3,261**
Carrying amount of NCI	**911**	**1,081**	**90**	**94**	**147**	**–**	**1,148**	**1,175**
Summarised statement of comprehensive income								
Revenue	653	632	153	147	248	–	1,054	779
Expenses	(650)	(702)	(130)	(108)	(270)	–	(1,050)	(810)
(Loss)/profit for the year	**3**	**(70)**	**23**	**39**	**(22)**	**–**	**4**	**(31)**
Other comprehensive income (OCI)	(62)	(80)	(5)	6	(13)	–	(80)	(74)
Total comprehensive income	**(59)**	**(150)**	**18**	**45**	**(35)**	**–**	**(76)**	**(105)**
(Loss)/profit allocated to NCI	**1**	**(27)**	**6**	**10**	**(8)**	**–**	**(1)**	**(17)**
OCI allocated to NCI	**(23)**	**(31)**	**(1)**	**2**	**(5)**	**–**	**(29)**	**(29)**
Summarised cash flows								
Cash flows from operating activities	159	155	90	80	125	–	374	235
Cash flows from investing activities	(252)	(188)	–	–	–	–	(252)	(188)
Cash flows from financing activities	98	35	(92)	(79)	(168)	–	(162)	(44)
Net (decreases)/increases in cash and cash equivalents	**5**	**2**	**(2)**	**1**	**(43)**	**–**	**(40)**	**3**

1. The summarised statement of comprehensive income for M5 Motorway is presented above subsequent to 18 September 2018, following the step up acquisition of the Group's controlling interest in M5 Motorway.

B27 Deed of cross and intra-group guarantees

Deed of cross guarantee

Transurban Holdings Limited, Transurban Limited, Tollaust Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, Statewide Roads Limited, M4 Holdings No. 1 Pty Limited, M5 Holdings Pty Limited and Devome Pty Limited, Transurban Funding Pty Limited (from FY19), Transurban STP AHT Pty Limited (from FY19), Transurban STP AT Pty Limited (from FY19), Transurban STP Project Hold Co Pty Limited (from FY19) and Transurban STP Project Co Pty Limited (from FY19) 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'.

The extended closed group adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on 1 July 2018. The adoption of AASB 9 Financial Instruments resulted in the recognition of an expected credit loss allowance of $11 million at 1 July 2018. The counterparties were assessed to have low credit risk and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses. There were no significant movements in the expected credit loss allowance through to 30 June 2019. There was no impact from the adoption of AASB 15 Revenue from Contracts with Customers.

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

B27 Deed of cross and intra-group guarantees (continued)

Deed of cross guarantee (continued)

	2019 $M	2018 $M
Summarised statement of comprehensive income		
Revenue	310	535
Operating costs	(294)	(273)
Depreciation and amortisation expense	(103)	(83)
Net finance costs	(59)	(78)
Profit before income tax	(146)	101
Income tax benefit	78	57
Profit for the year	(68)	158
Total comprehensive income for the year	**(68)**	**158**
Summarised movements in retained earnings		
Accumulated losses at the beginning of the year	(406)	(457)
Accumulated losses of entities that joined the 'closed group'	3	–
Change in accounting policy—AASB 9	(11)	–
Profit for the year	(68)	158
Dividends provided for or paid	(80)	(107)
Retained earnings at the end of the year	**(562)**	**(406)**
Summarised balance sheet		
Current assets		
Cash and cash equivalents	494	388
Trade and other receivables	5,002	3,996
Total current assets	**5,496**	**4,384**
Non-current assets		
Other financial assets	2,606	2,539
Equity accounted investments	985	–
Property, plant and equipment	324	326
Intangible assets	97	21
Deferred tax assets	442	385
Total non-current assets	4,454	**3,271**
Total assets	**9,950**	**7,655**
Current liabilities		
Trade and other payables	1,483	5,887
Provisions	90	93
Total current liabilities	**1,573**	**5,980**
Non-current liabilities		
Payables	6,234	304
Deferred tax liabilities	22	19
Provisions	5	11
Total non-current liabilities	**6,261**	**334**
Total liabilities	**7,834**	**6,314**
Net assets	**2,116**	**1,341**
Equity		
Contributed equity	2,675	1,746
Other reserves	3	1
Retained earnings	(562)	(406)
Total equity	**2,116**	**1,341**

Intra–group guarantees

As at 30 June 2019, 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

B28 Contingencies

Contingent liabilities

Contingent consideration

As a result of the acquisition of the Legacy Way tunnel, the Group may be required to make further payments to the 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 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

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.

Parent entity

The parent entity does not have any contingent liabilities at reporting date (2018: nil).

Equity accounted investments

The equity accounted investments of the Group do not have any contingent liabilities at reporting date (2018: nil).

B29 Commitments

	Capital commitments		Operating lease commitments	
	2019 $M	2018 $M	2019 $M	2018 $M
Within 1 year	270	1,669	16	12
Later than 1 year but not later than 5 years	342	1,917	64	51
Later than 5 years	–	–	116	92
	612	**3,586**	**196**	**155**

The Group's capital commitments as of 30 June 2019 relate primarily to the Fredericksburg Extension and 395 Express Lanes in North America (2018: 395 Express Lanes in North America, Logan Enhancement Project in Queensland and West Gate Tunnel Project in Melbourne).

Share of commitments for equity accounted investments

	STP JV 50%		NWRG 50%		Total	
	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M
Capital commitments	2,693	–	219	441	2,912	441

The Group's equity accounted investment capital commitments as of 30 June 2019 primarily relate to WestConnex M5 and WestConnex M4-M5 Link in STP JV and NorthConnex in NWRG (2018: NorthConnex in NWRG).

B30 Subsequent events

M5 acquisition and equity raising

On 6 August 2019 the Group executed a share sale agreement for the remaining 34.62% minority interest in the company that holds the M5 Motorway concession, taking the Group's ownership interest to 100%. The 34.62% minority interest, including minority interest debt notes, will be acquired for $468 million excluding stamp duty and transaction costs. As of 7 August 2019, the completion of the transaction is subject to receiving the necessary consents.

On 7 August 2019 the Group announced it plans to raise $500 million via a fully underwritten 'pro-rata' institutional placement[1]. Additionally, a non-underwritten Security Purchase Plan (SPP) will also be in place for eligible security holders to raise up to $200 million. Under the SPP, eligible security holders will be invited to subscribe for up to $15,000 of new securities per security holder, free of transaction and brokerage costs. Proceeds from the equity raisings will be used to fund the acquisition of the remaining interests in the M5 Motorway and for general corporate purposes. If consents for the M5 Motorway acquisition are not obtained and the acquisition does not proceed, the proceeds will be retained for general corporate purposes.

1. Eligible institutional security holders who bid in excess of their 'pro-rata' share determined by Transurban and the underwriters are expected to be allocated a minimum of their 'pro-rata' share on a best endeavours basis, and any excess may be subject to scale back.

Financing activities

Subsequent to 30 June 2019 the Group completed a number of financing activities including:

- Corporate settled EUR 350 million ($570 million) privately placed senior secured 15 year notes under its EMTN programme;
- 95 Express Lanes priced and settled USD 262 million ($374 million) of Private Activity Bonds maturing in 2044 and 2049, to fund the construction of the Fredericksburg Extension; and
- Transurban Queensland completed the refinancing of its capital expenditure borrowing facility, establishing a new 3-year $500 million facility with a maturity of August 2022.

Other

B31 Related party transactions

	Joint ventures 2019 $'000	Joint ventures 2018 $'000
Transactions with related parties		
Revenue from services	37,199	28,523
Interest income	68,402	59,955
	105,601	**88,478**
Outstanding balances with related parties		
Financial assets at amortised cost		
NorthConnex shareholder loan notes	550,185	–
STP JV shareholder loan notes	642,805	–
Held-to-maturity investments		
M5 Motorway debt notes	–	70,000
NorthConnex shareholder loan notes	–	735,501
Other liabilities		
NWRG payable for acquisition of customer base	(49,428)	–
	1,143,562	**805,501**

Transactions with related parties

Revenue for services

Revenue relates to tolling and management services provided to related parties.

Interest income

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

Financial assets at amortised cost

Debt financial assets carried at amortised cost relate to NorthConnex and STP JV SLN's. The Group intends to hold the assets to maturity and to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. The SLNs 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.

NorthConnex shareholder loan notes

The NorthConnex SLNs were modified during the year ended 30 June 2019 and as of 30 June 2019 include an interest free at call loan (maturity date is greater than 12 months) and a facility at a revised interest rate of 5.9%. The at call loan has been recorded at fair value on initial recognition and will be subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the at call loan and the fair value has been treated as a contribution to the equity accounted investment in NWRG. Any unpaid interest is capitalised and deemed to subscribe for further loan notes with an aggregate principal amount equal to that unpaid interest.

The nominal value of the NorthConnex SLNs at 30 June 2019 is $550,185 thousand (30 June 2018: $735,501 thousand).

STP JV shareholder loan notes

The STP JV SLNs earn interest at a rate equivalent to the weighted average of the interest rate applicable to WCX's senior secured debt plus a margin. The agreement includes a mechanism to capitalise interest should funds not be available to settle accrued interest. The SLNs are repayable 10 years after their respective issuance date. The SLNs are presented within non-current financial assets at amortised cost in the consolidated balance sheet. The Group has measured the SLNs at fair value on initial recognition and the SLNs will be subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the SLNs and the fair value has been treated as a contribution to the equity accounted investment in STP JV.

The nominal value of the STP JV SLNs at 30 June 2019 is $642,805 thousand (30 June 2018: Nil).

Expected credit loss

Applying the expected credit loss model to these financial assets at amortised cost resulted in the recognition of a loss allowance of $3 million at 1 July 2018 (previous loss allowance was $nil). The loss allowance increased by $1 million in the year ending 30 June 2019 to $4 million and was impacted by the initial recognition of a loss allowance for the STP JV SLNs of $2 million, and decrease in the loss allowance of NorthConnex SLNs of $1 million; all movements were recorded through finance expenses. The Group's debt financial assets at amortised cost are considered to have low credit risk, and the loss allowance recorded as of 1 July 2018 and 30 June 2019 is therefore limited to 12 months of expected losses.

B31 Related party transactions (continued)

Held to maturity investments—2018

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.

M5 Motorway debt notes

The M5 Motorway 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 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.

B32 Key management personnel compensation

	2019 $	2018 $
Short-term employee benefits	13,033,651	13,639,047
Post-employment benefits	328,621	315,610
Long-term benefits	153,949	242,973
Share-based payments	4,976,091	5,135,172
Deferred short term incentives	3,178,563	3,112,002
	21,670,875	**22,444,804**

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

B33 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. Remuneration of auditors in the year ended 30 June 2019 was influenced by acquisitions and changes in the Group's finance systems.

(a) Amounts received or due and receivable by PricewaterhouseCoopers Australia

Audit and other assurance services	2019 $	2018 $
Audit and review of financial reports	3,010,505	1,902,207
Other assurance services	857,000	713,000
	3,867,505	**2,615,207**
Other consulting services	–	500,000
Total remuneration of PricewaterhouseCoopers Australia	**3,867,505**	**3,115,207**

(b) Amounts received or due and receivable by network firms of PricewaterhouseCoopers Australia

Audit and other assurance services	2019 $	2018 $
Audit and review of financial reports	804,595	1,275,076
Other assurance services	500,000	–
	1,304,595	**1,275,076**
Other consulting services	–	–
Total remuneration of network firms of PricewaterhouseCoopers Australia	**1,304,595**	**1,275,076**
Total auditors remuneration	**5,172,100**	**4,390,283**

B34 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:

	2019 $M	2018 $M
Balance sheet		
Current assets	2,720	3,442
Total assets	7,629	7,175
Current liabilities	3,520	1,830
Total liabilities	4,629	5,046
Net assets	**3,000**	**2,129**
Shareholders' equity		
Contributed equity	2,675	1,746
Reserves	3	2
Retained earnings	322	381
Total equity	**3,000**	**2,129**
Profit for the year	28	223
Total comprehensive income	**28**	**223**

Transurban Holdings Limited adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on 1 July 2018. The adoption of AASB 9 Financial Instruments resulted in the recognition of an expected credit loss allowance of $7 million at 1 July 2018. The counterparties were assessed to have low credit risk and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses. There were no significant movements in the expected credit loss allowance through to 30 June 2019. There was no impact from the adoption of AASB 15 Revenue from Contracts with Customers.

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 B27.

B35 Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Group's financial statements. AASB 15 Revenue from Contracts with Customers did not have an impact on the Group's financial statements as disclosed at note B5 Revenue.

Adoption of AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

AASB 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new standard are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

AASB 9 eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale. Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI)—debt investment; FVOCI—equity investment; or at fair value through profit or loss (FVPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

B35 Changes in accounting policies (continued)

	As at 30 June 2018 $M	AASB 9 Impact $M	As at 1 July 2018 $M
Balance sheet (extract)			
Assets			
Current assets			
Trade and other receivables	444	(19)	425
Derivative financial instruments	21	–	21
Held-to-maturity investments	226	(226)	–
Financial assets at amortised cost	–	226	226
Total current assets	**1,821**	**(19)**	**1,802**
Non-current assets			
Held-to-maturity investments	806	(806)	–
Financial assets at amortised cost	–	733	733
Financial asset at fair value through profit or loss (FVPL)	–	92	92
Derivative financial instruments	217	–	217
Deferred tax assets	1,021	5	1,026
Total non-current assets	**24,605**	**24**	**24,629**
Total assets	**26,426**	**5**	**26,431**
Liabilities			
Current liabilities			
Derivative financial instruments	11	–	11
Total current liabilities	**2,223**	**–**	**2,223**
Non-current liabilities			
Deferred tax liabilities	985	(2)	983
Derivative financial instruments	441	–	441
Total non-current liabilities	**17,437**	**(2)**	**17,435**
Total liabilities	**19,660**	**(2)**	**19,658**
Net assets	**6,766**	**7**	**6,773**
Equity			
Contributed equity	1,746	–	1,746
Reserves	(101)	–	(101)
Accumulated losses	(3,455)	12	(3,443)
Non-controlling interests held by security holders of the stapled group (THT/TIL)	7,401	–	7,401
Equity attributable to security holders of the stapled group	5,591	12	5,603
Non-controlling interests—other	1,175	(5)	1,170
Total equity	**6,766**	**7**	**6,773**

The total impact on the Group's equity as at 1 July 2018 is as follows:

	Total equity $M
Total equity as at 30 June 2018	**6,766**
Reclassification of held-to-maturity assets to financial assets at FVPL[1]	22
Increase in provision for trade receivables at amortised cost	(10)
Increase in provision for other financial assets at amortised cost	(9)
Increase in provision for debt financial assets at amortised cost	(3)
Increase in deferred tax assets relating to impairment provisions	7
Net adjustment to accumulated losses, including non-controlling interest—other, from adoption of AASB 9 on 1 July 2018	**7**
Total equity as at 1 July 2018	**6,773**

1. The M5 Motorway debt notes have been eliminated subsequent to 1 July 2018, following the Group's consolidation of this business from 18 September 2018. Refer to note B13 for further information.

B35 Changes in accounting policies (continued)

Impact of transition to AASB 9

(i) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories.

Reclassification from held-to-maturity to financial assets at amortised cost

NorthConnex shareholder loan notes ('SLNs') (previously disclosed within non-current held-to-maturity assets) are now classified and disclosed as financial assets at amortised cost within non-current assets. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the financial asset at 1 July 2018 to be recognised in opening retained earnings. An increase of $3 million in the provision for impairment of this asset was recognised in opening retaining earnings for the period (tax impact $1 million).

Treasury notes (previously disclosed within current held-to-maturity assets) are now classified and disclosed as other financial assets at amortised cost within current assets. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the financial asset at 1 July 2018 to be recognised in opening retained earnings. There was no change in the provision for impairment of these assets recognised in opening retaining earnings for the period (tax impact $nil).

Reclassification from held-to-maturity to financial assets at fair value through profit or loss

On initial application of AASB 9, the M5 Motorway debt notes (previously disclosed as held-to-maturity assets) were reclassified to financial assets at fair value through profit or loss within non-current assets. The cash flows of the debt notes do not consist solely of payments of principal and interest due to a portion of cash flows being linked to the performance of the underlying toll road and as such they are required to be classified and measured at fair value through profit or loss. An increase in value of $22 million (tax impact $nil) was recorded between the previous carrying amount and the revised carrying amount of the financial asset at 1 July 2018 and was recognised in opening retained earnings.

(ii) Derivatives and hedging activities

The foreign currency forwards and interest rate swaps in place as at 30 June 2018 qualified as cash flow hedges under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges. Accordingly, there is no impact from adopting AASB 9 on the Group's accounting for derivatives and hedging activities.

(iii) Impairment of financial assets

The Group has three types of financial assets that are subject to AASB 9's new expected credit loss model:

- trade receivables for toll revenue,
- other financial assets at amortised cost, and
- debt financial assets carried at amortised cost.

The Group has revised its impairment methodology under AASB 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the previous table above. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified expected credit loss was immaterial.

Section C: THT and TIL financial statements

Consolidated statements of comprehensive income for the year ended 30 June 2019

		Transurban Holding Trust		Transurban International Limited	
	Note	2019 $M	2018 $M	2019 $M	2018 $M
Revenue	D4	**1,068**	**901**	**551**	**322**
Expenses					
Employee benefits expense		–	–	(23)	(18)
Road operating costs		–	–	(82)	(54)
Construction costs		(231)	(199)	(239)	(100)
Transaction and integration costs		–	–	(11)	(21)
Corporate and other expenses		(8)	(7)	(26)	(22)
Total expenses		**(239)**	**(206)**	**(381)**	**(215)**
Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income tax		**829**	695	**170**	107
Depreciation and amortisation expense		(309)	(310)	(97)	(42)
Net finance income/(costs)	D9	28	272	(261)	(175)
Share of net profit/(loss) of equity accounted investments	D15	(153)	22	(1)	–
Profit/(loss) before income tax		**395**	**679**	**(189)**	**(110)**
Income tax benefit/(expense)		(1)	–	35	98
Profit/(loss) for the year		**394**	**679**	**(154)**	**(12)**
Profit/(loss) is attributable to:					
Ordinary security holders of TIL		–	–	(154)	(12)
Ordinary unit holders of THT		409	672	–	–
Non-controlling interests	D16	(15)	7	–	–
		394	**679**	**(154)**	**(12)**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges, net of tax		(106)	(74)	(10)	2
Share of other comprehensive income from equity accounted investments, net of tax	D15	(67)	5	–	–
Exchange differences on translation of North American operations, net of tax		–	–	(35)	(25)
Movement in share-based payments reserve		(2)	1	1	–
Other comprehensive income/(loss) for the year, net of tax		(175)	(68)	(44)	(23)
Total comprehensive income/(loss) for the year		**219**	**611**	**(198)**	**(35)**
Total comprehensive income/(loss) for the year is attributable to:					
Ordinary security holders of TIL		–	–	(198)	(35)
Ordinary unit holders of THT		259	633	–	–
Non-controlling interests		(40)	(22)	–	–
		219	**611**	**(198)**	**(35)**
		Cents	**Cents**	**Cents**	**Cents**
Earnings per security attributable to ordinary security holders of the group:					
Basic and diluted earnings/(loss) per security	D7	15.9	31.5	(6.0)	(0.6)

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

Consolidated balance sheets as at 30 June 2019

		Transurban Holding Trust		Transurban International Limited	
	Note	2019 $M	2018 $M	2019 $M	2018[1] $M
Assets					
Current assets					
Cash and cash equivalents		119	113	512	346
Loans to related parties		1,508	884	–	–
Trade and other receivables		22	5	68	55
Concession notes		106	100	–	–
Held-to-maturity investments		–	–	–	226
Total current assets		**1,755**	**1,102**	**580**	**627**
Non-current assets					
Equity accounted investments	D15	2,539	364	4	5
Derivative financial instruments	D11	56	19	–	–
Related party receivables		8,871	10,410	–	–
Concession notes		923	965	–	–
Concession financial asset		–	–	341	323
Financial assets at amortised cost	D17	643	–	–	–
Property, plant and equipment		–	–	51	28
Deferred tax assets	D5	92	66	250	271
Other intangible assets	D12	9,870	9,601	4,905	4,082
Total non-current assets		**22,994**	**21,425**	**5,551**	**4,709**
Total assets		**24,749**	**22,527**	**6,131**	**5,336**
Liabilities					
Current liabilities					
Related party payables		413	632	1,658	1,644
Trade and other payables		74	73	110	56
Borrowings	D10	648	20	4	3
Maintenance provision		–	–	19	5
Distribution payable	D6	788	615	–	–
Derivative financial instruments	D11	2	–	–	–
Construction obligation provision		133	–	–	–
Other liabilities		40	97	111	31
Total current liabilities		**2,098**	**1,437**	**1,902**	**1,739**
Non-current liabilities					
Maintenance provision		–	–	140	113
Deferred tax liabilities	D5	–	–	357	406
Related party payables		4,585	5,567	876	890
Borrowings	D10	6,426	6,361	2,959	2,591
Derivative financial instruments	D11	149	160	194	140
Construction obligation provision		208	–	–	–
Other liabilities		63	52	287	2
Total non-current liabilities		**11,431**	**12,140**	**4,813**	**4,142**
Total liabilities		**13,529**	**13,577**	**6,715**	**5,881**
Net assets/(liabilities)		**11,220**	**8,950**	**(584)**	**(545)**
Equity					
Contributed equity		–	–	522	363
Issued units		15,954	12,243	–	–
Reserves	D8	(233)	(83)	(207)	(163)
Accumulated losses		(5,363)	(4,255)	(899)	(745)
Non-controlling interests	D16	862	1,045	–	–
Total equity		**11,220**	**8,950**	**(584)**	**(545)**

1. The 30 June 2018 balance sheet has been restated to reflect the final fair value of the purchase price allocation balances of A25, which was acquired on 5 June 2018. Refer to note B24.

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

Consolidated statements of changes in equity for the year ended 30 June 2019

THT

		Attributable to security holders of Transurban Holding Trust				
	No of units M	Issued units $M	Reserves $M	Accumulated losses $M	Non-controlling interests $M	Total $M
Balance at 1 July 2017	**2,052**	**10,665**	**(44)**	**(3,836)**	**1,147**	**7,932**
Comprehensive income						
Profit/(loss) for the year	–	–	–	672	7	679
Other comprehensive income/(loss)	–	–	(39)	–	(29)	(68)
Total comprehensive income/(loss)	**–**	**–**	**(39)**	**672**	**(22)**	**611**
Contributions of equity, net of transaction costs[1]	167	1,528	–	–	–	1,528
Employee performance awards issued	1	5	–	–	–	5
Distributions provided to or paid	–	–	–	(1,091)	–	(1,091)
Distribution reinvestment plan	5	45	–	–	–	45
Distributions to non-controlling interests	–	–	–	–	(80)	(80)
	173	**1,578**	**–**	**(1,091)**	**(80)**	**407**
Balance at 30 June 2018 as originally presented	2,225	12,243	(83)	(4,255)	1,045	8,950
Change in accounting policy	–	–	–	(21)	–	(21)
Balance at 1 July 2018	**2,225**	**12,243**	**(83)**	**(4,276)**	**1,045**	**8,929**
Comprehensive income						
Profit/(loss) for the year	–	–	–	409	(15)	394
Other comprehensive income/(loss)	–	–	(150)	-	(25)	(175)
Total comprehensive income/(loss)	**–**	**–**	**(150)**	**409**	**(40)**	**219**
Contributions of equity, net of transaction costs[1]	446	3,676	–	–	–	3,676
Employee performance awards issued	1	8	–	1	–	9
Distributions provided to or paid	–	–	–	(1,497)	–	(1,497)
Distribution reinvestment plan	3	27	–	–	–	27
Distributions to non-controlling interests	–	–	–	–	(143)	(143)
Balance at 30 June 2019	**2,675**	**15,954**	**(233)**	**(5,363)**	**862**	**11,220**

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 2017	**2,052**	**309**	**(140)**	**(733)**	**(564)**
Comprehensive income					
Profit/(loss) for the year	–	–	–	(12)	(12)
Other comprehensive income/(loss)	–	–	(23)	–	(23)
Total comprehensive income/(loss)	**–**	**–**	**(23)**	**(12)**	**(35)**
Contributions of equity, net of transaction costs[1]	167	52	–	–	52
Employee performance awards issued	1	–	–	–	–
Distribution reinvestment plan	5	2	–	–	2
	173	54	–	–	54
Balance at 30 June 2018 as originally presented	2,225	363	(163)	(745)	(545)
Change in accounting policy	–	–	–	–	–
Balance at 1 July 2018	**2,225**	**363**	**(163)**	**(745)**	**(545)**
Comprehensive income					
Profit/(loss) for the year	–	–	–	(154)	(154)
Other comprehensive income/(loss)	–	–	(44)	–	(44)
Total comprehensive income/(loss)	**–**	**–**	**(44)**	**(154)**	**(198)**
Contributions of equity, net of transaction costs[1]	446	157	–	–	157
Employee performance awards issued	1	–	–	–	–
Distribution reinvestment plan	3	2	–	–	2
Balance at 30 June 2019	**2,675**	**522**	**(207)**	**(899)**	**(584)**

1. Refer to the Group's 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.

Consolidated statements of cash flows for the year ended 30 June 2019

	Note	Transurban Holding Trust 2019 $M	Transurban Holding Trust 2018 $M	Transurban International Limited 2019 $M	Transurban International Limited 2018 $M
Cash flows from operating activities					
Receipts from customers		831	701	319	223
Payments to suppliers		(40)	(41)	(83)	(72)
Payments for maintenance of intangibles		–	–	(5)	(3)
Transaction costs related to acquisitions		–	–	(11)	(20)
Other cash receipts		–	–	15	–
Interest received		365	265	7	3
Interest paid		(601)	(558)	(112)	(47)
Income taxes paid		–		(1)	–
Net cash inflow/(outflow) from operating activities	(a)	**555**	**367**	**129**	**84**
Cash flows from investing activities					
Payments for acquisition of subsidiary (net of cash acquired)		–	–	–	(846)
Payments for equity accounted investments		(2,487)	–	–	(5)
Payments for property, plant and equipment		–	–	(24)	(15)
Payments for intangible assets		(285)	(209)	(288)	(128)
Payment for/Repayment of financial assets at amortised cost		(700)	–	233	–
Payments for held-to-maturity investments, net of fees		–	–	–	(55)
Receipts from concession notes		96	239	–	–
Distributions received from equity accounted investments		154	141	–	–
Net cash inflow/(outflow) from investing activities		**(3,222)**	**171**	**(79)**	**(1,049)**
Cash flows from financing activities					
Loans (to)/from related parties	(b)	(7,894)	(2,885)	115	896
Repayment of loans from/(to) related parties	(b)	7,815	1,640	(377)	(82)
Proceeds from issue of stapled securities (net of costs)		3,676	1,528	157	52
Proceeds from borrowings (net of costs)	(b)	1,158	2,714	201	301
Repayment of borrowings	(b)	(656)	(2,491)	(3)	(30)
Distributions paid to Transurban Group's security holders		(1,275)	(951)	–	–
Distributions paid to non-controlling interests in subsidiaries		(151)	(82)	–	–
Net cash inflow/(outflow) from financing activities		**2,673**	**(527)**	**93**	**1,137**
Net increase/(decrease) in cash and cash equivalents		**6**	**11**	**143**	**172**
Cash and cash equivalents at the beginning of the year		113	102	346	167
Effects of exchange rate changes on cash and cash equivalents		–	–	23	7
Cash and cash equivalents at end of year		**119**	**113**	**512**	**346**

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

	Transurban Holding Trust 2019 $M	Transurban Holding Trust 2018 $M	Transurban International Limited 2019 $M	Transurban International Limited 2018 $M
Profit/(loss) for the year	**394**	**679**	**(154)**	**(12)**
Depreciation and amortisation	309	310	97	42
Non-cash net finance costs	18	13	171	114
Capitalised interest income	(226)	–	–	–
Non-cash net income on concession notes	(60)	(347)	–	–
Share of profit/(loss) from equity accounted investments	153	(22)	1	–
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	(18)	(1)	(4)	4
(Decrease)/increase in related party operating loans	(28)	(267)	9	(2)
(Decrease)/Increase in trade creditors and accruals	(1)	3	12	(6)
Increase/(decrease) in other operating provisions	–	–	–	17
Increase/(decrease) in deferred and current taxes	1	–	(35)	(98)
Increase/(decrease) in maintenance provision	–	–	32	28
Increase/(decrease) in other liabilities	13	(1)	–	(3)
Net cash inflow/(outflow) from operating activities	**555**	**367**	**129**	**84**

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

Consolidated statements of cash flows for the year ended 30 June 2019 (continued)

(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 2018	**20**	**6,361**	**(221)**	**6,160**	**(5,095)**
Proceeds from borrowings (net of costs)	–	1,158	–	1,158	–
Repayment of borrowings	(20)	(636)	–	(656)	–
Loans (to)/from related parties	–	–	–	–	(7,894)
Repayment of loans from/(to) related parties	–	–	–	–	7,815
Total cash flows	**(20)**	**522**	**–**	**502**	**(79)**
Non-Cash Changes					
Transfer	648	(648)	–	–	–
Capitalised Interest	–	–	–	–	(202)
Amortisation of borrowing costs	–	7	–	7	-
Intercompany non-cash settlements	–	–	–	–	(30)
Provision for impairment of intercompany loans	–	–	–	–	23
Foreign exchange movements	–	184	(88)	96	–
Total non-cash changes	**648**	**(457)**	**(88)**	**103**	**(209)**
Balance at 30 June 2019	**648**	**6,426**	**(309)**	**6,765**	**(5,383)**

1. Total derivatives balance at 30 June 2019 is a liability of $95 million. 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.

	Borrowings current $M	Borrowings non-current $M	Debt principal related derivatives (included in assets / liabilities)[2] $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)	–
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)**
Non-Cash Changes					
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)**

2. Total derivatives balance at 30 June 2018 is a liability of $141 million. 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 statements of cash flows should be read in conjunction with the accompanying notes.

Consolidated statements of cash flows for the year ended 30 June 2019 (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

TIL

	Borrowings current $M	Borrowing non-current $M	Total borrowings $M	Net related party payables $M
Balance at 1 July 2018	**3**	**2,591**	**2,594**	**2,534**
Proceeds from borrowings (net of costs)	–	201	201	–
Repayment of borrowings	(3)	–	(3)	–
Loans (to)/from related parties	–	–	–	115
Repayment of loans from/(to) related parties	–	–	–	(377)
Total cash flows	**(3)**	**201**	**198**	**(262)**
Non-Cash Changes				
Transfer	3	(3)	–	–
Capitalised interest	–	6	6	124
Intercompany non-cash settlements	–	–	–	10
Amortisation of borrowing costs	–	11	11	–
Foreign exchange movements	1	153	154	128
Total non-cash changes	4	167	171	262
Balance at 30 June 2019	**4**	**2,959**	**2,963**	**2,534**

	Borrowings current $M	Borrowing 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	–
Repayment of borrowings	(12)	(18)	(30)	–
Loans (to)/from related parties	–	–	–	896
Repayment of loans from/(to) related parties	–	–	–	(82)
Capitalised premiums and discounts included in operating and investing cash flows	–	23	23	–
Total cash flows	**(12)**	**306**	**294**	**814**
Non-Cash Changes				
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.

Section D: Notes to the THT and TIL financial statements

Basis of preparation and significant changes

D1 Introduction

The Transurban Holding Trust Group consists of Transurban Holding Trust and the entities it controls ('THT') and the Transurban International Limited Group consists of Transurban International Limited and the entities it controls ('TIL'). 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 $343 million as at 30 June 2019. This is in part attributable to $413 million of loans payable to another entity within the Transurban Group. Excluding this loan, the THT Group has net current assets of $70 million. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- THT has generated positive cash inflows from operating activities of $555 million for the year ended 30 June 2019;
- THT expects to refinance or repay with available cash all borrowing facilities classified as a current liability at 30 June 2019;
- THT has paid $1,275 million of dividends and distributions to Transurban Group's security holders over the past 12 months. Payment of future dividends is at the discretion of the Board; and

TIL's current liabilities exceed its current assets by $1,322 million as at 30 June 2019. This is primarily attributable to $1,658 million of loans payable to another entity within the Transurban Group. Excluding this loan, the TIL Group has net current assets of $336 million. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations.

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.

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:

TIL	2019 $M	2018 $M
Total segment revenue (proportional)	**338**	**224**
Add:		
Construction revenue from road development activities	239	100
Toll revenue receipts on A25 relating to concession financial asset	(12)	(1)
Other revenue receipts on A25 relating to concession financial asset	(14)	(1)
Total revenue	**551**	**322**

Reconciliation of proportional EBITDA to statutory profit for the year

Proportional EBITDA reconciles to statutory net profit as follows:

TIL	2019 $M	2018 $M
Proportional EBITDA	**199**	**109**
Add:		
EBITDA attributable to TIL corporate activities (disclosed in corporate and other)	(3)	–
Toll and other revenue on A25 concession financial asset recognised as repayment of concession financial asset	(26)	(2)
Statutory earnings before depreciation and amortisation, net finance costs, equity accounted investments and tax	**170**	**107**
Statutory depreciation and amortisation expense	(97)	(42)
Statutory net finance costs	(261)	(175)
Share of net loss from equity accounted investments	(1)	–
Loss before tax for the year from continuing operations	**(189)**	**(110)**

D4 Revenue

	THT 2019 $M	2018 $M	TIL 2019 $M	2018 $M
Toll revenue	–	–	312	222
Rental income	796	667	–	–
Construction revenue	231	199	239	100
Other revenue	1	1	–	–
Concession fees	40	34	–	–
Total revenue	**1,068**	**901**	**551**	**322**

For accounting policies on Toll revenue, construction revenue and other revenue, refer to note B5.

AASB 15 does not apply to the rental income revenue stream, which comprises rental income on the property held by THT. This income is recognised in accordance with the terms of the lease contract.

Revenue type	Recognition
Rental income	Rental income is derived from property held by THT and is recognised in profit and loss in accordance with the lease contract.
Concession fees	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 2019 $M	Asset 2018 $M	Liability 2019 $M	Liability 2018 $M
The balance comprises temporary difference attributable to:				
Accrued expenses	2	2	(1)	–
Provisions	52	40	–	–
Current and prior year losses	376	341	–	–
Fixed assets/intangibles	18	26	(626)	(602)
Derivatives and foreign exchange	72	58	–	–
Tax assets/(liabilities)	**520**	467	**(627)**	(602)
Set off of tax	(270)	(196)	270	196
Net tax assets/(liabilities)	**250**	**271**	**(357)**	**(406)**
Movements:				
Opening balance at 1 July	**467**	**418**	**(602)**	**(321)**
Credited/(charged) to the statement of comprehensive income	5	121	11	(15)
Change to US tax legislation credited/(charged) to the statement of comprehensive income	–	(137)	–	111
Credited/(charged) to equity	5	(14)	(1)	–
Foreign exchange movements	26	25	(35)	(21)
Acquired	–	40	–	(363)
Transfer from deferred tax assets/liabilities	–	(6)	–	6
Current year losses recognised	20	18	–	–
Other	(3)	2	–	1
Closing balance 30 June	**520**	**467**	**(627)**	**(602)**
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**520**	**467**	**(627)**	**(602)**

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 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**
Additional provision recognised	1,497	143	1,640
Amounts paid	(1,275)	(152)	(1,427)
Amounts reinvested	(40)	–	(40)
Balance at 30 June 2019	**749**	**39**	**788**

D7 Earnings per stapled security

	THT 2019	THT 2018	TIL 2019	TIL 2018
Profit/(loss) attributable to ordinary security holders ($M)	409	672	(154)	(12)
Weighted average number of securities (M)	2,578	2,138	2,578	2,138
Basic and diluted earnings per security attributable to the ordinary security holders (Cents)	15.9	31.5	(6.0)	(0.6)

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 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)**
Revaluation—gross	(98)	–	(98)
Share based payments	–	(2)	(2)
Deferred tax	17	–	17
Share of other comprehensive income of equity accounted investments, net of tax	(67)	–	(67)
Balance 30 June 2019	**(239)**	**6**	**(233)**

TIL

	Cash flow hedges $M	Share-based payments $M	Foreign currency translation $M	Transactions with non-controlling interests $M	Total $M
Balance 1 July 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)**
Revaluation—gross	(14)	1	–	–	(13)
Deferred tax	4	–	–	–	4
Currency translation differences	–	–	(35)	–	(35)
Balance 30 June 2019	**(8)**	**1**	**(142)**	**(58)**	**(207)**

D9 Net finance income / (costs)

	THT 2019 $M	THT 2018 $M	TIL 2019 $M	TIL 2018 $M
Finance income				
Interest income from related parties	589	595	–	–
Interest income on financial assets at amortised cost	21	–	–	–
Unwind of discount on financial assets at amortised cost	8	–	–	–
Other interest income	2	1	7	3
Interest income from concession financial asset	–	–	23	2
Net foreign exchange gains	4	3	6	–
Re-measurement of concession notes receivable	20	324	–	–
Total finance income	**644**	**923**	**36**	**5**
Finance costs				
Interest and finance charges paid/payable	(605)	(641)	(290)	(170)
Unwind of discount on liabilities—other liabilities	(2)	(2)	(2)	–
Unwind of discount on liabilities—promissory note	(9)	(8)	–	–
Unwind of discount on liabilities—maintenance provision	–	–	(5)	(8)
Net foreign exchange losses	–	–	–	(2)
Total finance costs	**(616)**	**(651)**	**(297)**	**(180)**
Net finance income / (costs)	**28**	**272**	**(261)**	**(175)**

D9 Net finance income / (costs) (continued)

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.

D10 Borrowings

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

	THT 2019 $M	THT 2018 $M	TIL 2019 $M	TIL 2018 $M
Current				
Term debt	648	20	4	3
	648	20	**4**	3
Non-current				
Capital markets debt	2,491	2,395	1,015	965
U.S. private placement	2,686	1,726	215	–
Term debt	1,249	2,240	404	383
TIFIA	–	–	1,325	1,243
	6,426	6,361	**2,959**	2,591
Total borrowings	**7,074**	6,381	**2,963**	2,594

D11 Derivatives and financial risk management

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

	2019 $M Current THT	2019 $M Current TIL	2019 $M Non-current THT	2019 $M Non-current TIL	2018 $M Current THT	2018 $M Current TIL	2018 $M Non-current THT	2018 $M Non-current TIL
Assets								
Interest rate swap contracts—cash flow hedges	–	–	–	–	–	–	5	–
Cross currency interest rate swap contracts—cash flow hedges	–	–	56	–	–	–	14	–
Total derivative financial instrument assets	**–**	**–**	**56**	**–**	**–**	**–**	**19**	**–**
Liabilities								
Interest rate swap contracts—cash flow hedges	2	–	90	194	–	–	16	140
Cross currency interest rate swap contracts—cash flow hedges	–	–	59	–	–	–	144	–
Total derivative financial instrument liabilities	**2**	**–**	**149**	**194**	**–**	**–**	**160**	**140**

Market risk

Foreign exchange risk

The effects of the foreign currency related hedging instruments on THT's and TIL's financial position and performance are as follows:

	THT 2019 $M	TIL 2019 $M
Net investment in foreign operation—CAD		
Carrying amount	–	321
CAD carrying amount	–	167
Hedge ratio	–	1:1
Change in carrying amount of loan as a result of foreign currency movements since 1 July	–	19
Change in value of hedged item used to determine hedge effectiveness	–	11
Cross-currency interest rate swaps		
Carrying amount	3	–
Notional amount	3,640	–
Hedge ratio	1:1	–
Change in discounted value of outstanding hedging instruments since 1 July	(2)	–
Change in value of hedged item used to determine hedge effectiveness	4	–

D11 Derivative and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

Maturity profile—notional value of cross-currency interest rate swaps

THT 2019 $M	Less than 12 months	1 – 5 years	Over 5 years	Total nominal amount
Cross-currency swaps (AUD:USD)	**–**	**–**	**2,143**	**2,143**
Average AUD-USD exchange rate	–	–	0.75	NA[1]
Average fixed interest rate[2]	–	–	5.0%	NA[1]
Cross-currency swaps (AUD:CHF)	**–**	**200**	**375**	**575**
Average AUD-CHF exchange rate	–	0.72	0.74	NA[1]
Average fixed interest rate[2]	–	4.6%	4.5%	NA[1]

1. NA—Not applicable
2. Based on average fixed rate of cross currency swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

Effectiveness of hedging relationships designated

THT 2019 $M	Hedge gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from OCI to profit or loss	Line item in profit or loss for reclassification
Foreign currency risk	2	–	Net finance costs	–	Net finance costs

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

	THT						TIL	
	2019 USD $M	2018 USD $M	2019 CHF $M	2018 CHF $M	2019 AUD $M	2018 AUD $M	2019 CAD $M	2018 CAD $M
Net investment in foreign operation	–	–	–	–	–	–	167	348
Receivables	964	1,146	–	–	–	–	–	–
Payables	(1,045)	(1,095)	–	–	–	(6)	(294)	(348)
Borrowings	(2,143)	(1,574)	(575)	(575)	–	–	–	–
Cross-currency interest rate swaps	2,143	1,574	575	575	–	–	–	–
Net exposure	**(81)**	**51**	**–**	**–**	**–**	**(6)**	**(127)**	**–**

Sensitivity

THT	Movement in post-tax profit		Increase / (decrease) in equity	
	2019 $M	2018 $M	2019 $M	2018 $M
AUD/USD				
+ 10 cents	10	(8)	(53)	(21)
- 10 cents	(13)	11	71	28
AUD/CHF				
+ 10 cents	–	–	(8)	(18)
- 10 cents	–	–	10	32

TIL	Movement in post-tax profit		Increase / (decrease) in equity	
	2019 $M	2018 $M	2019 $M	2018 $M
AUD/CAD				
+ 10 cents	–	(13)	–	–
- 10 cents	–	16	–	–

D11 Derivative and financial risk management (continued)

Interest rate risk

The effects of the interest rate related hedging instruments on THT's and TIL's financial position and performance are as follows:

	THT 2019 $M	TIL 2019 $M
Interest rate swaps		
Carrying amount	92	67
Notional amount	2,062	320
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	(92)	(11)
Change in value of hedged item used to determine hedge effectiveness	95	24
Weighted average hedged rate for the year	100%	100%

Maturity profile—notional value of interest rate swaps

THT 2019 $M	Less than 12 months	1-5 years	Over 5 years	Total nominal amount
Interest rate swaps	628	774	660	2,062
Average fixed interest rate[1]	2.2%	2.1%	2.7%	NA[1]

1. Based on average fixed rate of interest rate swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

TIL 2019 $M	Less than 12 months	1-5 years	Over 5 years	Total nominal amount
Interest rate swaps	–	–	320	320
Average fixed interest rate	–	–	4.0%	NA[1]

1. NA—Not applicable

Effectiveness of hedging relationships designated

THT 2019 $M	Hedge gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from OCI to profit or loss	Line item in profit or loss for reclassification
Interest rate risk	92	–	Net finance costs	–	Net finance costs

TIL 2019 $M	Hedge gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from OCI to profit or loss	Line item in profit or loss for reclassification
Interest rate risk	67	2	Net finance costs	–	Net finance costs

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:

	THT 2019 $M	THT 2018 $M	TIL 2019 $M	TIL 2018 $M
Cash and cash equivalents	119	113	512	346
Floating rate borrowings	(2,062)	(2,388)	(727)	(689)
Interest rate swaps (notional principal amount)	2,062	2,042	727	689
Net exposure to interest rate risk	**119**	**(233)**	**512**	**346**

Sensitivity

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

	THT 2019 $M	THT 2018 $M	TIL 2019 $M	TIL 2018 $M
Interest rates +100bps	1	8	5	8
Interest rates –100bps	(1)	(8)	(5)	(8)

D11 Derivative and financial risk management (continued)

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.

THT

2019 $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	74	–	–	–	–	–	74	74
Borrowings	843	700	650	901	388	5,579	9,061	7,074
Related party loans	649	1,148	311	73	73	2,795	5,049	4,998
Interest rate swaps[1]	22	21	18	12	10	18	101	92
Cross-currency swaps[1]	44	43	43	43	33	101	307	3
Concession and promissory notes	–	–	–	–	–	216	216	63
Total	**1,632**	**1,912**	**1,022**	**1,029**	**504**	**8,709**	**14,808**	**12,304**

1. The carrying value of the interest rate and cross-currency swaps have been presented on a net basis. The gross position is disclosed in the first table of note D11.

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	16
Cross-currency swaps	48	48	48	48	10	(100)	102	144
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**	**12,910**

TIL

2019 $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	110	–	–	–	–	–	110	110
Borrowings	141	133	134	736	78	4,847	6,069	2,963
Related party loans	1,757	52	52	52	52	2,206	4,171	2,534
Interest rate swaps	19	21	21	20	20	122	223	194
Other liabilities	78	–	331	–	–	–	409	363
Total	**2,105**	**206**	**538**	**808**	**150**	**7,175**	**10,982**	**6,164**

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**

Concession summary

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

D12 Other intangible assets

2019 $M	Concession assets THT	Concession assets TIL	Assets under construction THT	Assets under construction TIL	Total THT	Total TIL
Cost	11,595	4,297	818	860	12,413	5,157
Accumulated amortisation	(2,543)	(252)	–	–	(2,543)	(252)
Net book amount	**9,052**	**4,045**	**818**	**860**	**9,870**	**4,905**

2018 $M	Concession assets THT	Concession assets TIL	Assets under construction THT	Assets under construction TIL	Total THT	Total TIL
Cost	11,594	4,065	243	165	11,837	4,230
Accumulated amortisation	(2,236)	(148)	–	–	(2,236)	(148)
Net book amount	**9,358**	**3,917**	**243**	**165**	**9,601**	**4,082**

Movement in intangible assets

	Concession assets THT $M	Concession assets TIL $M	Assets under construction THT $M	Assets under construction TIL $M	Total THT $M	Total TIL $M
Opening balance 1 July 2017	**9,579**	**2,489**	**121**	**58**	**9,700**	**2,547**
Additions	–	–	203	137	203	137
Acquisition of subsidiary	–	1,338	–	–	–	1,338
Foreign exchange movements and other adjustments	–	97	–	5	–	102
Transfer	89	35	(81)	(35)	8	0
Amortisation charge	(310)	(42)	–	–	(310)	(42)
Net book amount 30 June 2018	**9,358**	**3,917**	**243**	**165**	**9,601**	**4,082**
Additions	2	–	576	686	578	686
Foreign exchange movements and other adjustments	–	225	–	9	–	234
Transfer	1	–	(1)	–	–	–
Amortisation charge	(309)	(97)	–	–	(309)	(97)
Net book amount 30 June 2019	**9,052**	**4,045**	**818**	**860**	**9,870**	**4,905**

D13 Concession financial asset

TIL's financial assets relate only to A25 as of 30 June 2019 and 30 June 2018. Refer to Note B18 for a reconciliation of movements in the A25 Concession financial asset.

D14 Other liabilities—concession liabilities

M2 Motorway

The face value of promissory notes on issue at 30 June 2019 is $216 million (2018: $204 million). The net present value at 30 June 2019 of the redemption payments relating to these promissory notes is $63 million (2018: $50 million).

M1 Eastern Distributor

The face value of promissory notes on issue at 30 June 2019 is $330 million (2018: $315 million). The net present value at 30 June 2019 of the redemption payments relating to these promissory notes is $44 million (2018: $40 million).

Fredericksburg Extension Project

The nominal value of payables to VDOT relating to the Fredericksburg Extension at 30 June 2019 is $408 million (2018: Nil). As at 30 June 2019, a current liability of $78 million and a non-current liability of $285 million has been recorded.

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 B25 for the details of the STP JV and NWRG.

	THT STP JV[1]		THT NorthWestern Roads Trust		THT Total		TIL Other	
	2019 $M	**2018 $M**	**2019 $M**	**2018 $M**	**2019 $M**	**2018 $M**	**2019 $M**	**2018 $M**
Summarised balance sheet—100%								
Current assets	1,349	–	159	84	1,508	84	1	1
Non-current assets	15,430	–	2,304	2,312	17,734	2,312	–	1
Current liabilities	(233)	–	(19)	(29)	(252)	(29)	(1)	–
Non-current liabilities	(7,870)	–	(1,841)	(1,639)	(9,711)	(1,639)	(2)	–
Net assets/(liabilities)	**8,676**	**–**	**603**	**728**	**9,279**	**728**	**(2)**	**2**
Summarised statement of comprehensive income—100%								
Revenue	39	–	136	134	175	134	1	1
Construction revenue	1,201	–	–	–	1,201	–	–	–
Construction costs	(1,201)	–	–	–	(1,201)	–	–	–
Depreciation and amortisation	(11)	–	(34)	(34)	(45)	(34)	–	–
Other expenses	(309)	–	(2)	(2)	(311)	(2)	(5)	(3)
Net finance cost	(87)	–	(22)	67	(109)	67	–	–
Income tax expense	–	–	(1)	(7)	(1)	(7)	–	–
Profit/(loss) for the year	**(368)**	**–**	**77**	**158**	**(291)**	**158**	**(4)**	**(2)**
Other comprehensive income/(loss)	(285)	–	9	10	(276)	10	–	–
Total comprehensive income/(loss)	**(653)**	**–**	**86**	**168**	**(567)**	**168**	**(4)**	**(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:

Ownership interest	**50%**	0%	**50%**	**50%**			**20%**	**20%**
Proportional total comprehensive income/(loss)	(263)	–	43	84	(220)	84	(1)	–
Profits not recognised	–	–	–	57	–	57	–	–
Group's share of comprehensive income/(loss)	(263)	–	43	27	(220)	27	(1)	–

1. The summarised statement of comprehensive income for STP JV is presented above from the date of acquisition which is 27 September 2018.

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 STP JV		THT NorthWestern Roads Trust		THT Total		TIL Other	
	2019 $M	**2018 $M**	**2019 $M**	**2018 $M**	**2019 $M**	**2018 $M**	**2019 $M**	**2018 $M**
Opening carrying value 1 July	**–**	–	**364**	**478**	**364**	**478**	**5**	–
Acquisition	2,425	–	–	–	2,425	–	–	5
Group's share of net profit/(loss)	(191)	–	38	22	(153)	22	(1)	–
Acquisition of and capital contributions to STP JV	68	–	–	–	68	–	–	–
Fair value adjustment on issuance of shareholder loan notes to STP JV	62	–	–	–	62	–	–	–
Group's recognised share of other comprehensive income/(loss)	(72)	–	5	5	(67)	5	–	–
Distributions received	(18)	–	(142)	(141)	(160)	(141)	–	–
Closing carrying value 30 June	**2,274**	**–**	**265**	**364**	**2,539**	**364**	**4**	**5**

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	
	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M
Summarised balance sheet						
Current assets	81	246	20	21	101	267
Non-current assets	7,346	7,014	819	877	8,165	7,891
Current liabilities	(56)	(70)	(175)	(213)	(231)	(283)
Non-current liabilities	(5,186)	(4,524)	(490)	(504)	(5,676)	(5,028)
Net assets	2,185	2,666	174	181	2,359	2,847
Carrying amount of NCI	819	1,000	43	45	862	1,045
Summarised statement of comprehensive income						
Revenue	337	335	23	102	360	437
(Loss)/profit for the year	(38)	(27)	(1)	69	(39)	42
Other comprehensive (loss)/income	(62)	(80)	(5)	6	(67)	(74)
Total comprehensive (loss)/income	(100)	(107)	(6)	75	(106)	(32)
(Loss)/profit allocated to NCI	(15)	(10)	–	17	(15)	7
OCI allocated to NCI	(24)	(30)	(1)	1	(25)	(29)
Summarised cash flows						
Cash flows from operating activities	168	100	(1)	79	167	179
Cash flows from investing activities	(216)	(156)	–	–	(216)	(156)
Cash flows from financing activities	57	61	1	(79)	58	(18)
Net increases/(decreases) in cash and cash equivalents	9	5	–	–	9	5

Other

D17 Related party transactions

THT	THL[1] 2019 $'000	THL[1] 2018 $'000	Joint ventures 2019 $'000	Joint ventures 2018 $'000
Transactions with related parties				
Rental income	796,177	666,639	–	–
Concession fee income	39,602	33,679	–	–
Interest income	588,927	595,024	–	–
Finance income on financial assets at amortised cost	–	–	28,933	–
Interest expense	300,731	343,589	–	–
Other expenses	4,525	4,441	–	–
Outstanding balances with related parties				
Current receivables	1,508,346	883,505	–	–
Current concession notes	106,254	99,528	–	–
Non-current receivables	8,871,221	10,410,144	–	–
Financial assets at amortised cost	–	–	642,805	–
Non-current concession notes	923,105	965,496	–	–
Current liabilities	412,887	632,329	–	–
Non-current liabilities	4,585,156	5,567,027	–	–

Expected credit loss

Applying the expected credit loss model to THT's receivables resulted in the recognition of a loss allowance of $21 million at 1 July 2018 (previous loss allowance was $nil). There were no significant movements in the expected credit loss allowance through to 30 June 2019. THT's financial assets at amortised costs are considered to have low credit risk, and the loss allowance recorded as of 1 July 2018 and 30 June 2019 is therefore limited to 12 months of expected losses.

TIL	THL[1] 2019 $'000	THL[1] 2018 $'000
Transactions with related parties		
Interest expense	72,284	70,421
Other expenses	8,362	6,276
Outstanding balances with related parties		
Current liabilities	1,657,674	1,643,726
Non-current liabilities	876,065	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	
	2019 $M	2018 $M	2019 $M	2018 $M
Balance sheet				
Current assets	2,357	1,883	545	409
Total assets	18,439	16,619	1,041	855
Current liabilities	1,763	1,168	6	409
Total liabilities	4,570	5,826	428	411
Net assets	13,869	10,793	613	444
Issued units/contributed equity	15,954	12,243	522	363
Reserves	6	8	103	74
(Accumulated losses)/Retained earnings	(2,091)	(1,458)	(12)	7
Shareholders' equity	13,869	10,793	613	444
Profit/(loss) for the year	878	987	(19)	6
Exchange differences on translation of USD balances, net of tax	–	–	29	18
Movement in share based payments reserve	1	1	1	–
Total comprehensive income/(loss)	**879**	**988**	**11**	**24**

The parent entities adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on 1 July 2018. The adoption of AASB 9 Financial Instruments resulted in the recognition of an expected credit loss allowance of $14 million for THT and Nil for TIL at 1 July 2018. The counterparties were assessed to have low credit risk and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses. During the period there was a reduction in the expected credit loss allowance of $3 million due to a corresponding decrease in the receivable balances. There was no impact on either parent entity from the adoption of AASB 15 Revenue from Contracts with Customers.

D19 Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Group's financial statements. AASB 15 Revenue from Contracts with Customers did not have an impact on THT and TIL's financial statements as disclosed at note B5 Revenue.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

D19 Changes in accounting policies (continued)

Adoption of AASB 9 Financial Instruments

As explained below, AASB 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 30 June 2018, but are instead recognised in the opening balance sheet on 1 July 2018.

			THT			TIL
	As at 30 June 2018 $M	AASB 9 impact	As at 1 July 2018 $M	As at 30 June 2018 $M	AASB 9 impact	As at 1 July 2018 $M
Balance Sheet (extract)						
Assets						
Current assets						
Loans to related parties	884	(1)	883	–	–	–
Trade and other receivables	5	–	5	55	–	55
Concession notes	100	–	100	–	–	–
Held-to-maturity investments	–	–	–	226	(226)	–
Financial assets at amortised cost	–	–	–	–	226	226
Total current assets	**1,102**	**(1)**	**1,101**	**627**	**–**	**627**
Non-current assets						
Derivative financial instruments	19	–	19	–	–	
Related party receivables	10,410	(20)	10,390	–	–	–
Concession notes	965	–	965	–	–	–
Concession financial asset	–	–	–	323	–	323
Deferred tax assets	66	–	66	271	–	271
Total non-current assets	**21,425**	**(20)**	**21,405**	**4,695**	**–**	**4,695**
Total assets	**22,527**	**(21)**	**22,506**	**5,322**	**–**	**5,322**
Liabilities						
Current liabilities						
Derivative financial instruments	–	–	–	–	–	–
Total current liabilities	**1,437**	**–**	**1,437**	**1,730**	**–**	**1,730**
Non–current liabilities						
Deferred tax liabilities	–	–	–	401	–	401
Derivative financial instruments	160	–	160	140	–	140
Total non-current liabilities	**12,140**	**–**	**12,140**	**4,137**	**–**	**4,137**
Total liabilities	**13,577**	**–**	**13,577**	**5,867**	**–**	**5,867**
Net assets/(liabilities)	**8,950**	**(21)**	**8,929**	**(545)**	**–**	**(545)**
Equity						
Contributed equity	–	–	–	363	–	363
Issued units	12,243	–	12,243	–	–	–
Reserves	(83)	–	(83)	(163)	–	(163)
Accumulated losses	(4,255)	(21)	(4,276)	(745)	–	(745)
Non-controlling interests	1,045	–	1,045	–	–	–
Total equity	**8,950**	**(21)**	**8,929**	**(545)**	**–**	**(545)**

Accounting policies applied from 1 July 2018—AASB 9 Financial Instruments

Refer to Notes B8, B15, B30 and B34 for a summary of accounting policies adopted upon transition to AASB 9.

Impact of transition to AASB 9

Impairment of financial assets

The group was required to revise its impairment methodology under AASB 9 for each class of financial assets measured at amortised cost (there are no financial assets measured at fair value through other comprehensive income).

D19 Changes in accounting policies (continued)

Related party receivables for Transurban Holding Trust

Applying the expected credit loss model resulted in the recognition of a loss allowance of $21 million on 1 July 2018 (previous loss allowance was $nil). The Group's related party receivables at amortised cost are considered to have low credit risk, and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses.

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 88 to 175 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 2019 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 B27 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 B27.

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 2019

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 Transurban Group, THT and TIL's financial positions as at 30 June 2019 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 Transurban Group, THT and TIL financial reports (the financial report) comprise:

- the consolidated balance sheets as at 30 June 2019
- 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.

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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, THL and TIL, their accounting processes and controls and the industry in which they operate.

Materiality

- For the purpose of our audit we used overall Group materiality of $50 million, which represents approximately 2.5% of the Group's earnings before interest, tax, depreciation and amortisation expenses (EBITDA).
- 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

Group – *Note B5*	THT	TIL – *Note D4*
Toll revenue: $2,643m	*Toll revenue – not applicable*	*Toll Revenue: $312m*

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. In May 2018 the Group acquired the A25 concession in Montreal (North America). This is the first financial year in which A25 revenue is included for the full 12 month period. The M5 Concession (Interlink Roads) was consolidated in September 2018. As of 1 July 2018 the Group adopted a new revenue accounting policy due to the mandatory introduction of AASB 15 – Revenue from Contracts with Customers. The new policy is disclosed in Note B5. We considered this to be 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. • Using data analytics to recalculate the toll revenue for each toll road in Australia for the full 12 month period. • Testing a selection of cash collected by the North America toll roads. • Using data analytics to supplement our testing of revenue transactions on the A25 toll road. • For a sample of contracts, developing an understanding of the key terms of the arrangements, term dates, performance obligations and payments made in regard to AASB 15. • Assessing the Group's identification of performance obligations and allocation of prices to the performance obligations for a sample of contracts. • Evaluating the appropriateness of the disclosures for AASB 15 made in Note B5 in light of the requirements of Australian Accounting Standards.

Borrowings

Group – *Note B14*	THT – *D10*	TIL – *D10*
Current borrowings: $959m *Non-Current borrowings: $17,507m*	*Current borrowings: $648m* *Non-Current borrowings: $6,426m*	*Current borrowings: $4m* *Non-Current borrowings: $2,959m*

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 bond issuances, private placements 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. We considered this to be a key audit matter for the Group, THT and TIL given the size of the borrowings balance, the number of borrowing agreements in place and the importance of the funding structure for continued growth.	Our procedures included, amongst others: • Obtaining confirmations from banks to confirm a selection of borrowings. • 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 B17 – B21, B28	THT – Notes D12, D14	TIL – Note D12 – D14
Concession assets: $21,392m *Assets under construction: $5,112m* *Concession financial assets: $369m* *Maintenance provision: $1,162m* *Construction obligation: $2,222m* *Other liabilities: $470m* *Other provisions: $122m*	*Concession assets: $9,052m* *Assets under construction: $818m* *Concession notes receivable: $1,029m* *Construction obligation: $342m* *Other liabilities: $107m*	*Concession assets: $4,045m* *Assets under construction: $860m* *Concession financial asset: $341m* *Maintenance provision: $159m* *Other liabilities: $363m*

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 the 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.

In April 2019 the Victorian Parliament approved the CityLink Concession Deed Amendments for the West Gate Tunnel Project. Additionally, in April 2019 the Group reached commercial close in relation to the Fredericksburg Extension in North America.

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.

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 key 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.

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Income taxes		
Group – *Note B7*	**THT**	**TIL** – *Note D5*
Income tax benefit: $140m *Deferred tax assets: $1,107m* *Deferred tax liabilities: $1,412m*	*Income taxes – not applicable*	*Income tax benefit: $35m* *Deferred tax assets: $250m* *Deferred tax liabilities: $357m*

Key audit matter	How our audit addressed the key audit matter
The Transurban Group is subject to income taxes in Australia and North America. Judgement is required in determining the provision for income taxes, specifically those 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 consists of six different tax consolidated groups with their own Tax Sharing and Tax Funding agreements, each of which creates additional complexities in the calculations. We considered this to be a key audit matter for the Group and TIL due to the accounting complexity of the calculations, judgmental nature and expertise required to estimate the tax positions recorded.	Our procedures included, amongst others: • Assessing the processes for identifying uncertain tax positions and the related accounting policy of provisioning for tax exposures. • Using 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 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.

Recoverability of equity accounted investments – Sydney Transport Partners Group (STP)

Group – *Note B25*	**THT** – *Note D15*	**TIL**
Equity accounted investment: $3,115m	*Equity accounted investment: $2,274m*	*Equity accounted investment – not applicable*

Key audit matter	**How our audit addressed the key audit matter**
In September 2018 the Sydney Transport Partners Group (STP) acquired a stake (51%) in the WestConnex Project. The Transurban Group hold a 50% share in the STP joint venture and equity account for its investment. The Group makes certain assumptions in assessing impairment for its investment. These include assumptions around expected traffic flows, forecast operational costs, construction completion timing and budget construction costs. We considered this to be a key audit matter for the Group and THT, due to the size of the investment and the complexity and judgement involved in the impairment assessment.	Our procedures included, amongst others: • Performing tests of the design and operation of controls over a selection of the forecast and modelling processes impacting the impairment assessment. • Evaluating the impairment indicator assessment considering the requirements under the Australian Accounting Standards. • Involving valuation specialists to assess the reasonableness of key assumptions used within the impairment indicator assessment.

Other information

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") are responsible for the other information. The other information comprises the information included in the Group's Corporate Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Corporate Report, FY19 Results Presentation, FY19 Sustainability Data and Climate Change Disclosures, FY19 UN Sustainable Development Goals Progress Report, Corporate Governance Statement and Security Holder Information. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, 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 the *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 64 to 85 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the remuneration report of Transurban Holdings Limited for the year ended 30 June 2019 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.

PricewaterhouseCoopers

Marcus Laithwaite
Partner

Melbourne
7 August 2019

Security holder information

The security holder information set out below was applicable as at 5 July 2019.

Distribution of stapled securities

The number of holders of stapled securities, which comprise one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holding Trust, was 117,707. The voting rights are one vote per stapled security. The percentage of total holdings held by or on behalf of the 20 largest holders of these securities was 79.69 per cent.

The distribution of holders was as follows:

Security grouping	Total holders	Stapled securities	Percentage of issued stapled securities
1–1,000	42,187	18,340,187	0.68
1,001–5,000	53,266	130,960,379	4.90
5,001–10,000	13,195	92,393,566	3.45
10,001–100,000	8,764	185,633,757	6.94
100,001 over	295	2,247,970,456	84.03
Total	**117,707**	**2,675,298,345**	**100.00**

There were 2,425 holders of less than a marketable parcel of stapled securities. There were 2,675,298,345 stapled securities on issue.

Twenty largest holders of stapled securities

Name	Number of stapled securities held	Percentage of issued stapled securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	928,970,599	34.72
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	463,271,244	17.32
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	345,399,379	12.91
CITICORP NOMINEES PTY LIMITED	166,626,834	6.23
NATIONAL NOMINEES LIMITED	90,189,092	3.37
BNP PARIBAS NOMS PTY LTD <DRP>	20,120,901	0.75
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	19,821,908	0.74
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	13,394,838	0.50
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT—COMNWLTH SUPER CORP A/C>	11,460,774	0.43
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	10,814,455	0.40
NATIONAL NOMINEES LIMITED <N A/C>	8,944,380	0.33
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED—GSCO ECA	8,773,777	0.33
ARGO INVESTMENTS LIMITED	8,123,736	0.30
AMP LIFE LIMITED	7,567,247	0.28
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	6,934,724	0.26
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,749,244	0.21
MILTON CORPORATION LIMITED	4,592,153	0.17
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	3,932,763	0.15
BKI INVESTMENT COMPANY LIMITED	3,697,584	0.14
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED—A/C 2	3,550,691	0.13
Total	**2,131,936,323**	**79.69**

Substantial holders

Substantial security holders as at 5 July 2019 were as follows:

Name	Number of stapled securities held	Percentage of issued stapled securities
UNISUPER	333,423,165	12.48
BLACKROCK GROUP	130,922,279	6.01
THE VANGUARD GROUP	111,240,857	5.00

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