# Transurban Group
# Appendix 4D
# Half-year ended 31 December 2013

(Previous corresponding period:
Half-year ended 31 December 2012)

The Transurban Group comprises the following entities:

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

**Results for announcement to the market**

***Statutory results***

- Revenue from ordinary activities decreased 2.3 per cent to $571,879,000
- Total toll, fee and other road revenue increased by 13.3 per cent to $497,643,000
- Profit from ordinary activities after tax decreased 0.3 per cent to $80,940,000
- Net profit attributable to members increased 0.1 per cent to $81,006,000
- Profit before depreciation and amortisation, net finance costs, equity accounted investments and incomes taxes increased 11.8 per cent to $381,061,000

***Proportional results***

- Toll revenue increased 13.1 per cent to $556,207,000
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased 11.1 per cent to $463,162,000
- Free cash increased 24.5 per cent to $239,972,000

**Distributions**

| | Amount per Security cents | Franked amount per Security % |
|---|---|---|
| Interim distribution (declared prior to balance date) | 13.5 | - |
| Interim dividend (declared prior to balance date) | 3.5 | 100 |
| | 17.0 | |
| Interim distribution from the previous corresponding period | 12.0 | - |
| Interim dividend from the previous corresponding period | 3.5 | 100 |
| | 15.5 | |
| Final distribution (prior year) | 12.0 | - |
| Final dividend (prior year) | 3.5 | 100 |
| | 15.5 | |

| | |
|---|---|
| Record date for determining entitlements to interim distribution | 31 December 2013 |
| Date of payment of interim distribution | 14 February 2014 |

**Distribution Reinvestment Plan (DRP)**

Under the DRP, security holders may receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. The last date for the receipt of an election notice for participation in the DRP was 31 December 2013. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

**Explanation of results**

For further explanation of the results please refer to the accompanying ASX Release and "Review of Operations" within the Directors' Report of the half-year report.

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

*Proportional results*

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

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

Proportional EBITDA is reconciled to the statutory income statement on page 18 of the financial statements.

*Free cash*

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

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

**Net tangible asset backing**

| | **31 December 2013 $** | 30 June 2013 $ |
|---|---|---|
| Net tangible asset backing per stapled security* | **2.01** | 2.10 |

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

**Entities over which control has been gained or lost**

The Group gained control over the following entities relating to the Cross City Tunnel Group on 30 December 2013:

- CrossCity Motorway Pty Ltd;
- CCT Motorway Finance Pty Ltd;
- CM Holdings Trust Pty Ltd;
- CCT Motorway Company Nominees Pty Ltd;
- CrossCity Motorway Nominees No.2 Pty Ltd; and
- CCT Motorway Group Holdings Pty Ltd.

The contribution of the above entities to Transurban's results for the period was not material. Further information regarding this business combination can be found in note 12 of the financial statements.

The Group did not gain or lose control of any other entities during the period, and did not gain or lose control of any entities in the prior corresponding period.

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

| Name of company | Ownership Interest | | Net profit/(loss) contribution to the Transurban Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **%** | % | **$'000** | $'000 |
| WSO Company Pty Limited | **50.0** | 50.0 | **-** | - |
| Westlink Motorway Limited | **50.0** | 50.0 | **-** | - |
| WSO Finance Company | **50.0** | 50.0 | **-** | - |
| Westlink Motorway Partnership | **50.0** | 50.0 | **-** | - |
| Interlink Roads Pty Limited | **50.0** | 50.0 | **8,619** | 8,380 |
| Transurban DRIVe Holdings LLC | **75.0** | 75.0 | **(23,615)** | (7,527) |
| | | | **(14,996)** | 853 |

**Other information required by Listing Rule 4.2A**
The remainder of information requiring disclosure to comply with Listing Rule 4.2A is contained in the Financial Report (which includes the Directors' Report) and the ASX Release.

**Audit review**
This report has been based on accounts which have been reviewed by the Group's auditors. A copy of the unqualified review report can be found in the attached Interim Report.

Amanda Street
Company Secretary
13 February 2014

# Transurban Holdings Limited and Controlled Entities

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

# Interim report for the half-year ended 31 December 2013

# Transurban Holdings Limited ABN 86 098 143 429
# Interim report - 31 December 2013

## Contents

## Directors' report

The directors of Transurban Holdings Limited (THL), Transurban International Limited (TIL) and Transurban Infrastructure Management Limited (TIML), as Responsible Entity for Transurban Holding Trust (THT), present their report on the Transurban Group for the half-year ended 31 December 2013.

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

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

**Directors**
The following persons were directors of THL, TIML and TIL during the whole of the half-year and up to the date of this report:

**Non-executive Directors**
Lindsay Maxsted
Neil Chatfield
Robert Edgar
Samantha Mostyn
Christine O'Reilly
Rodney Slater
Ian Smith
**Executive Director**
Scott Charlton

**Result**
The consolidated net profit for the half-year ended 31 December 2013 for the Transurban Group was $80,940,000 (2012: $81,143,000). The profit attributable to ordinary equity holders of the Transurban Group was $81,006,000 (2012: $80,944,000).

**Review of operations**
Statutory toll revenue increased by 13.3 per cent to $450.6 million. The completion of the Hills M2 upgrade on 31 July 2013 was the primary contributor to the strong toll revenue growth, with the full northern Sydney corridor benefiting from the upgrade.

Statutory costs increased on the prior corresponding period primarily due to:

- the impact from the 495 Express Lanes operating for the full six months following commencement of operations in November 2012;
- increases in the maintenance provision expense following reviews conducted on the timing and magnitude of expenditure proposed in the near to medium term;
- a focus on business development activities associated with key projects and acquisitions; and
- an increase in costs associated with the development of the tolling and traffic management system for the 95 Express Lanes.

**Review of operations (continued)**

***Performance of Transurban's portfolio of assets***

The following shows traffic and toll revenue performance of all operating assets for the half year ended 31 December 2013 compared to the prior corresponding period. Asset performance is shown for 100 per cent of each asset. Review of costs and revenue in the commentary below also refer to 100 per cent of the asset.

| Asset (and ownership %) | Traffic growth (%) | Toll revenue 31/12/13 $'000 | Toll revenue 31/12/12 $'000 | Variance $'000 | Variance % | % contribution to proportional toll revenue |
|---|---|---|---|---|---|---|
| **Australian Assets (AUD)** | | | | | | |
| CityLink (100%) | 2.1% | 269,248 | 244,739 | 24,509 | 10.0% | 48.5% |
| Hills M2 (100%) | 12.6% | 94,156 | 71,168 | 22,988 | 32.3% | 16.9% |
| Lane Cove Tunnel (100%) | 8.7% | 34,348 | 30,801 | 3,547 | 11.5% | 6.2% |
| M1 Eastern Distributor (75.1%) | 2.5% | 52,892 | 50,985 | 1,907 | 3.7% | 7.1% |
| Westlink M7 (50%) | 7.5% | 114,798 | 104,802 | 9,996 | 9.5% | 10.3% |
| M5 Interlink (50%) | (2.6%) | 93,622 | 96,722 | (3,100) | (3.2%) | 8.4% |
| **US Assets (USD)** | | | | | | |
| Pocahontas 895 (75%) | 1.2% | 8,192 | 7,684 | 508 | 6.6% | 1.2% |
| 495 Express Lanes (67.5%) | 63.9% | 10,673 | 828 | 9,845 | 1189.0% | 1.4% |

*CityLink (Melbourne)*

Toll revenue on CityLink increased 10.0 per cent for the half year ended 31 December 2013. This growth, which is in excess of traffic growth of 2.1 per cent and toll price growth of 4.9 per cent, shows the benefits the GLIDe tolling system is delivering, with improvements in recovery rates and other revenue generating initiatives made possible as a result of the technology.

Planning and execution of major maintenance works on CityLink's Burnley and Domain tunnels has been a focus for the half year ended 31 December 2013. For the first time since the tunnels were opened to traffic in 2000, both tunnels underwent resurfacing works over the Christmas and New Year period.

*Hills M2 (Sydney)*

The performance of Hills M2 for the half year ended 31 December 2013 has been driven by the completion of the Hills M2 upgrade which reached practical completion on 31 July 2013. Toll revenue in particular has benefited from the completion of the upgrade with tolls on the road increasing on 1 August 2013. EBITDA margin remained strong at 83.7 per cent.

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

The performance of Lane Cove Tunnel for the half year ended 31 December 2013 was positively impacted by the completion of the adjacent Hills M2 upgrade works with traffic growing 8.7 per cent. Price growth during the period was 2.4 per cent which combined with the traffic growth positively contributed to toll revenue growth of 11.5 per cent.

*M1 Eastern Distributor (Sydney) – Airport Motorway Group*

Following the removal of cash tolling on the M1 Eastern Distributor, the asset moved to quarterly based toll price escalations on 4 November 2013. This contributed to the toll price increase for the period of 1.2 per cent.

Significant maintenance works have commenced on the M1 Eastern Distributor in the period. The works include the replacement of roadside equipment and resurfacing works. This contributed to an increase in costs of $6.3 million and a reduction in the EBITDA margin from 73.7 per cent to 64.8 per cent.

**Review of operations (continued)**

***Performance of Transurban's portfolio of assets (continued)***

*M5 South West Motorway (Sydney) - Interlink Roads Pty Limited*

The M5 Motorway’s performance has continued to be impacted in the current period by the ongoing widening works. Traffic decreased 2.6 per cent however the EBITDA margin increased by 2.2 per cent to 94.0 per cent.

Construction of the M5 West Widening project remains on schedule and on budget. The project is currently 60 per cent complete with final completion targeted for late calendar year 2014.

*Westlink M7 (Sydney) - Westlink Motorway Group*

Westlink M7 has been positively impacted by the completion of the Hills M2 Upgrade with traffic growth across the entire asset of 7.5 per cent.

*Pocahontas 895 (Virginia USA) - Transurban DRIVe*

Following the announcement in June 2013 of the intended transfer of the Pocahontas 895 concession to the lenders of the asset, works have continued through the period to affect that transfer.

Traffic increased 1.2 per cent and EBITDA grew 30.1 per cent to $5.5 million.

*495 Express Lanes (Virginia USA) - Transurban DRIVe*

Total toll revenue generated for the period was USD $10.7 million (AUD $11.6 million) with average daily toll revenue increasing by 249.2 per cent compared to the prior period. The 495 Express Lanes were opened on 17 November 2012 and to date traffic and revenue remains below the project case expectations.

A review of the project has been completed which resulted in downward adjustments to traffic and revenue projections, including the ramp-up profile of the project. Transurban is working with key stakeholders, including lenders, to ensure the emerging revenue profile supports the capital structure. As a consequence it is expected that debt will be repaid through a combination of additional equity investment and release of existing finance reserves.

***Business development activities***

*Acquisition of Cross City Tunnel debt*

On 30 December 2013 Transurban completed the acquisition of 100 per cent of the senior secured debt of the Cross City Tunnel Group in Sydney from the Royal Bank of Scotland for $475.0 million. Cross City Tunnel is a 2.1 kilometre tunnel linking Darling Harbour on the Western fringe of the Sydney CBD to Rushcutters Bay in the Eastern suburbs. It also includes connections to the M1 Eastern Distributor.

Receivers were appointed in September 2013 to commence a sale process for the asset. This process is ongoing and the outcome of that process will determine Transurban’s future ownership, if any.

*95 Express Lanes (Virginia, USA) - Transurban DRIVe*

Works have continued throughout the six months to 31 December 2013 on the construction of the 95 Express Lanes in Northern Virginia, USA. The project is 63 per cent complete and is forecast to open to traffic in late calendar year 2014.

*M1 - M2 project*

Transurban continues to work with the NSW State Government to progress the development of the M1 - M2 project. During the period Transurban commenced the process of calling for tenders associated with the design and construction of the M1 - M2 project. Financial close for the project is expected in late calendar year 2014.

*Queensland Motorways Limited*

Transurban is participating in the Queensland Motorways Limited sale process and as of the date of this report this process is ongoing.

**Review of operations (continued)**
***Refinancing activities***
*Capital markets debt*
In October 2013 the Group issued EUR 500.0 million of secured fixed rate 7-year notes under its Euro Medium Term Note Programme. The notes will mature in October 2020 and were issued at a fixed coupon rate of 2.5 per cent. The notes rank equally with the Group's existing senior debt facilities. Proceeds were used in part to repay $100.0 million of bank term debt that was to mature in August 2014 and to part fund the Cross City Tunnel debt acquisition.

In December 2013 AMT Management Limited (as trustee for Airport Motorway Trust) issued $300.0 million of secured fixed rate 7-year notes at a fixed coupon of 5.5 per cent. The new notes repaid $295.0 million of existing debt, which was due to mature in July 2014, and associated transaction costs. The notes will rank equally with the entity's other bank debt.

*Working capital facilities and bank debt*
During the period the Group entered into $350.0 million of working capital facilities to refinance $220.0 million of facilities that were due in December 2013 and $100.0 million of facilities due in August 2014. Each of the new facilities is for a term of 3 years.

In December 2013 the Group established a $275.0 million one year bridging facility in connection with the Cross City Tunnel debt acquisition. These facilities rank equally with Transurban's existing senior debt facilities.

**Matters subsequent to the end of the half-year**
Other than as disclosed elsewhere in this report at the date of this report the directors are not aware of any circumstances that have arisen since 31 December 2013 that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

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

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

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
13 February 2014

# Auditor's Independence Declaration

As lead auditor for the review of Transurban Holdings Limited and the Transurban Holdings Limited Group for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
13 February 2014

***PricewaterhouseCoopers, ABN 52 780 433 757***
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006*
*GPO Box 1331L, MELBOURNE VIC 3001, DX77*
*T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au*

# Transurban Holdings Limited ABN 86 098 143 429
# Interim financial report - 31 December 2013



This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Transurban Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**Transurban Holdings Limited**
**Consolidated income statement**
**For the half-year 31 December 2013**

| | Notes | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Toll, fee and other road revenue | | **497,643** | 439,393 |
| Construction revenue | | **53,702** | 124,618 |
| Management, business development and other revenue | | **20,534** | 21,191 |
| | 3 | **571,879** | 585,202 |
| Road operating costs | | **(112,920)** | (96,984) |
| Corporate costs | | **(17,696)** | (22,806) |
| Business development costs | | **(9,206)** | (8,803) |
| Construction costs | | **(50,996)** | (115,770) |
| | | **(190,818)** | (244,363) |
| **Profit before depreciation and amortisation, net finance costs, equity accounted investments and income taxes** | | **381,061** | 340,839 |
| Depreciation and amortisation expense | | **(159,746)** | (154,867) |
| Finance income | | **58,259** | 53,853 |
| Finance costs | | **(187,657)** | (177,800) |
| **Net finance costs** | 6 | **(129,398)** | (123,947) |
| Share of net (losses) profits of equity accounted investments | | **(14,996)** | 853 |
| **Profit before income tax** | | **76,921** | 62,878 |
| Income tax benefit | | **4,019** | 18,265 |
| **Profit for the half-year** | | **80,940** | 81,143 |
| Profit is attributable to: | | | |
| Ordinary equity holders of the stapled group | | **81,006** | 80,944 |
| Non-controlling interests | | **(66)** | 199 |
| | | **80,940** | 81,143 |
| | | **Cents** | Cents |
| **Earnings per security attributable to the ordinary equity holders of the stapled group:** | | | |
| Basic earnings per stapled security | 9 | **5.5** | 5.5 |
| Diluted earnings per stapled security | 9 | **5.5** | 5.5 |

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

| | **2013** **$'000** | 2012 $'000 |
|---|---|---|
| **Profit for the half-year** | **80,940** | 81,143 |
| | | |
| **Other comprehensive income (loss)** | | |
| *Items that may be reclassified to profit or loss* | | |
| Changes in the fair value of cash flow hedges, net of tax | **32,431** | (9,829) |
| Exchange differences on translation of foreign operations, net of tax | **(5,356)** | 4,083 |
| **Other comprehensive income (loss) for the half-year, net of tax** | **27,075** | (5,746) |
| | | |
| **Total comprehensive income for the half-year** | **108,015** | 75,397 |
| | | |
| Total comprehensive income for the half-year is attributable to: | | |
| Members of Transurban Holdings Limited | **148,092** | 74,456 |
| Non-controlling interests | **(40,077)** | 941 |
| | **108,015** | 75,397 |

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

**Transurban Holdings Limited**
**Consolidated balance sheet**
**As at 31 December 2013**

| | Notes | 31 December 2013 $'000 | 30 June 2013 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **457,676** | 259,385 |
| Trade and other receivables | | **96,019** | 88,548 |
| Assets held for sale | 12 | **533,844** | - |
| Derivative financial instruments | | **1,926** | 963 |
| **Total current assets** | | **1,089,465** | 348,896 |
| | | | |
| **Non-current assets** | | | |
| Equity accounted investments | | **539,084** | 532,266 |
| Held to maturity investments | | **905,329** | 862,866 |
| Derivative financial instruments | 4 | **43,701** | 9,935 |
| Property, plant and equipment | | **189,854** | 180,166 |
| Deferred tax assets | | **8,358** | 9,147 |
| Intangible assets | | **8,017,128** | 8,128,350 |
| **Total non-current assets** | | **9,703,454** | 9,722,730 |
| | | | |
| **Total assets** | | **10,792,919** | 10,071,626 |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **95,157** | 105,595 |
| Borrowings | | **1,036,757** | 438,256 |
| Derivative financial instruments | 4 | **35,944** | 7,037 |
| Current tax liabilities | | **356** | - |
| Provisions | | **356,784** | 334,413 |
| Other liabilities | | **76,471** | 71,873 |
| Liabilities held for sale | 12 | **42,734** | - |
| **Total current liabilities** | | **1,644,203** | 957,174 |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **4,751,429** | 4,499,235 |
| Deferred tax liabilities | | **625,499** | 629,648 |
| Provisions | | **209,183** | 202,363 |
| Derivative financial instruments | 4 | **265,275** | 357,872 |
| Other liabilities | | **56,761** | 60,358 |
| **Total non-current liabilities** | | **5,908,147** | 5,749,476 |
| | | | |
| **Total liabilities** | | **7,552,350** | 6,706,650 |
| | | | |
| **Net assets** | | **3,240,569** | 3,364,976 |
| | | | |
| **EQUITY** | | | |
| Contributed equity | | **8,003,978** | 7,975,953 |
| Reserves | | **(81,865)** | (104,137) |
| Accumulated losses | | **(4,597,565)** | (4,469,457) |
| Non-controlling interest - Transurban International Limited | | **(226,484)** | (183,559) |
| Non-controlling interests | | **142,505** | 146,176 |
| **Total equity** | | **3,240,569** | 3,364,976 |

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

| | Attributable to members of Transurban Holdings Limited | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Contributed equity $'000** | **Reserves $'000** | **Accumulated losses $'000** | **Total $'000** | **Non-controlling interests - TIL $'000** | **Non-controlling interests - Other $'000** | **Total equity $'000** |
| **Balance at 1 July 2012** | **7,847,912** | **(138,340)** | **(4,232,045)** | **3,477,527** | **(148,505)** | **158,103** | **3,487,125** |
| **Comprehensive income** | | | | | | | |
| Profit (loss) for the half-year | - | - | 89,677 | 89,677 | (8,733) | 199 | 81,143 |
| Other comprehensive income (loss) | - | (15,221) | - | (15,221) | 9,505 | (30) | (5,746) |
| **Total comprehensive income for the half-year** | **-** | **(15,221)** | **89,677** | **74,456** | **772** | **169** | **75,397** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Distribution reinvestment plan | 15,322 | - | - | 15,322 | 1,153 | - | 16,475 |
| Distributions provided for or paid | - | - | (226,669) | (226,669) | - | - | (226,669) |
| Changes in value of share-based payment reserve | 4,077 | (2,655) | - | 1,422 | (71) | - | 1,351 |
| | 19,399 | (2,655) | (226,669) | (209,925) | 1,082 | - | (208,843) |
| **Balance at 31 December 2012** | **7,867,311** | **(156,216)** | **(4,369,037)** | **3,342,058** | **(146,651)** | **158,272** | **3,353,679** |
| **Balance at 1 July 2013** | **7,975,953** | **(104,137)** | **(4,469,457)** | **3,402,359** | **(183,559)** | **146,176** | **3,364,976** |
| **Comprehensive income** | | | | | | | |
| Profit (loss) for the half-year | - | - | 124,253 | 124,253 | (43,247) | (66) | 80,940 |
| Other comprehensive income (loss) | - | 23,839 | - | 23,839 | 413 | 2,823 | 27,075 |
| **Total comprehensive income for the half-year** | **-** | **23,839** | **124,253** | **148,092** | **(42,834)** | **2,757** | **108,015** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Distribution reinvestment plan | 24,704 | - | - | 24,704 | 351 | - | 25,055 |
| Distributions provided for or paid | - | - | (252,622) | (252,622) | - | - | (252,622) |
| Distributions to non-controlling interest | - | - | - | - | - | (6,428) | (6,428) |
| Changes in value of share-based payment reserve | 1,909 | (1,567) | 269 | 611 | (468) | - | 143 |
| Deferred short term incentives issued | 1,412 | - | (8) | 1,404 | 26 | - | 1,430 |
| | 28,025 | (1,567) | (252,361) | (225,903) | (91) | (6,428) | (232,422) |
| **Balance at 31 December 2013** | **8,003,978** | **(81,865)** | **(4,597,565)** | **3,324,548** | **(226,484)** | **142,505** | **3,240,569** |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers (inclusive of GST) | **533,485** | 489,851 |
| Payments to suppliers and employees (inclusive of GST) | **(183,500)** | (181,122) |
| Payments for maintenance of intangible assets | **(7,495)** | (5,284) |
| Interest received | **26,691** | 23,762 |
| Other revenue | **39,271** | 29,186 |
| Interest paid | **(179,853)** | (166,520) |
| Income taxes paid | **(1,724)** | (8,866) |
| **Net cash inflow from operating activities** | **226,875** | 181,007 |
| **Cash flows from investing activities** | | |
| Payments for held-to-maturity investments, net of fees | **(12,477)** | (10,054) |
| Payments for equity accounted investments | **(27,878)** | (141,178) |
| Payments for intangible assets | **(60,236)** | (111,166) |
| Payments for property, plant and equipment | **(10,966)** | (8,008) |
| Distributions received from equity accounted investments | **26,500** | 24,500 |
| Payments for business combination, net of cash | **(474,975)** | - |
| **Net cash (outflow) from investing activities** | **(560,032)** | (245,906) |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings (net of costs) | **1,559,956** | 239,642 |
| Repayment of borrowings | **(802,322)** | (57,000) |
| Dividends and distributions paid to the Group's security holders | **(204,586)** | (202,271) |
| Distributions paid to non-controlling interests | **(4,233)** | (3,635) |
| **Net cash inflow (outflow) from financing activities** | **548,815** | (23,264) |
| **Net increase (decrease) in cash and cash equivalents** | **215,658** | (88,163) |
| Cash and cash equivalents at the beginning of the year | **259,385** | 318,148 |
| Effects of exchange rate changes on cash and cash equivalents | **(1,232)** | (53) |
| **Cash and cash equivalents at end of the half-year** | **473,811** | 229,932 |
| Cash and cash equivalents from continuing operations | **457,676** | 229,932 |
| Cash and cash equivalents from assets held for sale | **16,135** | - |
| **Cash and cash equivalents at end of the half-year** | **473,811** | 229,932 |

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

## 1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

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

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

In previous financial reporting periods, THL was identified as the parent entity in relation to the pre-date of transition stapling with THT and the post-date of transition stapling with TIL. In accordance with UIG 1013 *Pre-date of Transition Stapling Arrangements* the results and equity of THL and THT were combined in the financial statements. AASB Interpretation 1002 *Post date of Transition Stapling Arrangements* required the results and equity of TIL to be treated and disclosed as non-controlling interest.

AASB 10 *Consolidated Financial Statements* has become effective for the Transurban Group from 1 July 2013. Under AASB 10 it is currently uncertain if the Transurban Group financial statements can continue to be prepared on the basis as described above.

In August 2013 the Australian Securities and Investment Commission released Class Order 13/1050 which provided the ability for Stapled Security Groups who were applying AASB 10 for the first time to continue to prepare aggregated financial statements at 30 June 2013 on the same basis as previous financial reporting periods. In December 2013 Class Order 13/1644 was released which extends the applicability of Class Order 13/1050 indefinitely. The Transurban Group financial statements for the period ended 31 December 2013 have been prepared in accordance with Class Order 13/1050.

The Group's current liabilities exceed its current assets by $554.7 million as at 31 December 2013 as a number of tranches of debt require refinancing in the next 12 months. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal operations, as the Group is trading profitably and has continually been able to refinance maturing debt. In addition, as at 31 December 2013 the Group has available a total of $395.2 million of unused working capital facilities with 6 financial institutions.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Transurban Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

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

The affected policies and standards are:

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

## 1 Basis of preparation of half-year report (continued)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 112 Consolidation - Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

In accordance with the transitional provisions of AASB 10, the Group reassessed the control conclusions for its investments at 1 July 2013. Based on this reassessment no changes have been made regarding our assessment of control over any entities where the Group has an equity interest.

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not re-measure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a ‘partial disposal’ concept. The Group has determined that these amendments have no impact on the financial statements of the Group.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from* AASB 13

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments and accordingly the Group has included additional disclosures in this regard (see Note 4).

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

Other new standards that are applicable for the first time for the December 2013 half-year report are AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities and AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle. These standards have introduced new disclosures for the interim report but did not affect the entity’s accounting policies or any of the amounts recognised in the financial statements.

## 2 Segment information

**Description of segments**

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

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

The following assets are included in the operating segments:

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

Segment assets and segment liabilities have not been disclosed in the current period as this information is not provided to the CEO and Executive Committee.

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

The Group's corporate function is not an operating segment under the requirements of AASB 8 as its revenue generating activities are only incidental to the business. Management have aggregated and disclosed the corporate business units as the contribution to the business is closely monitored. The operating segments have been further broken down by asset to assist with external analysis of the financial statements.

**Segment information - Proportional Income Statement**

The CEO and Executive Committee assess the performance of the operating segments based on a measure of proportional EBITDA. EBITDA is earnings before interest, taxation, depreciation and amortisation. EBITDA excludes the impact of interest income and expenditure which have been presented by segment where applicable. Interest income and expenditure are allocated across segments where the charges are related specifically to the assets. Otherwise they have been allocated to the Corporate function.

The segment information provided to the Executive Committee is presented on a proportional basis. The information for the reportable segments for the half-year ended 31 December 2013 and 31 December 2012 is as follows:

## 2 Segment information (continued)

### Segment information - Proportional Income Statement (continued)

| **31 December 2013** | **Victoria** | **New South Wales** | | | | | | | **USA** | | | | | **Corporate** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **$'000** | **CityLink** | Hills M2 | Lane Cove Tunnel | M1 Eastern Distributor | M5 | M7 | Roam & Tollaust | **Total NSW** | Pocahontas 895 | 495 Express Lanes | 95 Express Lanes | Other Transurban DRIVe | **Total Transurban DRIVe** | | |
| | **100.0%** | 100.0% | 100.0% | 75.1% | 50.0% | 50.0% | 100.0% | | 75.0% | 67.5% | 67.5% | 75.0% | | **100.0%** | |
| Toll revenue | **269,248** | 94,156 | 34,348 | 39,722 | 46,811 | 57,399 | - | **272,436** | 6,688 | 7,835 | - | - | **14,523** | **-** | **556,207** |
| Fee and other revenue | **26,030** | 3,081 | 1,349 | 1,029 | 4,329 | 1,258 | 13,015 | **24,061** | 21 | 2,130 | - | - | **2,151** | **19,893** | **72,135** |
| Total revenue | **295,278** | 97,237 | 35,697 | 40,751 | 51,140 | 58,657 | 13,015 | **296,497** | 6,709 | 9,965 | - | - | **16,674** | **19,893** | **628,342** |
| Proportional EBITDA | **243,136** | 78,793 | 22,225 | 25,749 | 44,007 | 47,784 | 7,128 | **225,686** | 4,147 | (2,770) | - | (2,533) | **(1,156)** | **(4,504)** | **463,162** |
| Interest revenue | **2,541** | 539 | 448 | 120 | 220 | 749 | 244 | **2,320** | - | 32 | 15 | 4 | **51** | **54,026** | **58,938** |
| Interest expense | **(20,236)** | (26,917) | (7,185) | (14,656) | (6,930) | (76,458) | 3 | **(132,143)** | (8,042) | (24,579) | - | (681) | **(33,302)** | **(113,421)** | **(299,102)** |
| Depreciation and amortisation | **(72,900)** | (37,041) | (12,285) | (19,511) | (17,849) | (16,957) | (462) | **(104,105)** | 8 | (7,573) | - | - | **(7,565)** | **(10,998)** | **(195,568)** |
| Foreign exchange | **-** | - | - | - | - | - | - | **-** | - | - | - | - | **-** | **301** | **301** |
| **Proportional profit (loss) before tax** | **152,541** | 15,374 | 3,203 | (8,298) | 19,448 | (44,882) | 6,913 | **(8,242)** | (3,887) | (34,890) | 15 | (3,210) | **(41,972)** | **(74,596)** | **27,731** |
| Income tax benefit (expense) | **(21,564)** | 8,329 | (1,755) | 3,912 | (10,829) | 4,323 | (2,074) | **1,906** | 5,775 | - | - | 12,582 | **18,357** | **15,933** | **14,632** |
| **Proportional net profit (loss)** | **130,977** | 23,703 | 1,448 | (4,386) | 8,619 | (40,559) | 4,839 | **(6,336)** | 1,888 | (34,890) | 15 | 9,372 | **(23,615)** | **(58,663)** | **42,363** |

## 2 Segment information (continued)

### Segment information - Proportional Income Statement (continued)

| **31 December 2012** | **Victoria** | **New South Wales** | | | | | | | **USA** | | | | | **Corporate** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **$'000** | **CityLink 100.0%** | Hills M2 100.0% | Lane Cove Tunnel 100.0% | M1 Eastern Distributor 75.1% | M5 50.0% | M7 50.0% | Roam & Tollaust 100.0% | **Total NSW** | Pocahontas 895 75.0% | 495 Express Lanes 67.5% | 95 Express Lanes 67.5% | Other Transurban DRIVe 75.0% | **Total Transurban DRIVe** | **100.0%** | |
| Toll revenue | **244,739** | 71,168 | 30,801 | 38,290 | 48,361 | 52,401 | - | **241,021** | 5,551 | 537 | - | - | **6,088** | **-** | **491,848** |
| Fee and other revenue | **22,350** | 2,186 | 944 | 208 | 3,207 | 903 | 12,702 | **20,150** | 31 | 119 | - | - | **150** | **28,078** | **70,728** |
| Total revenue | **267,089** | 73,354 | 31,745 | 38,498 | 51,568 | 53,304 | 12,702 | **261,171** | 5,582 | 656 | - | - | **6,238** | **28,078** | **562,576** |
| Proportional EBITDA | **215,079** | 57,498 | 18,338 | 28,207 | 44,455 | 41,421 | 5,713 | **195,632** | 3,188 | (1,498) | - | (2,204) | **(514)** | **6,704** | **416,901** |
| Interest revenue | **2,946** | 600 | 471 | 242 | 182 | 1,044 | 248 | **2,787** | - | 637 | 7 | - | **644** | **49,239** | **55,616** |
| Interest expense | **(30,554)** | (21,408) | (10,352) | (16,961) | (8,847) | (72,692) | (2) | **(130,262)** | (7,326) | (5,375) | (5) | (1,313) | **(14,019)** | **(92,486)** | **(267,321)** |
| Depreciation and amortisation | **(73,241)** | (32,138) | (12,279) | (19,505) | (16,837) | (16,971) | (508) | **(98,238)** | (1,723) | (1,424) | - | - | **(3,147)** | **(10,651)** | **(185,277)** |
| Foreign exchange | **-** | - | - | - | - | - | - | **-** | - | - | - | - | **-** | **(201)** | **(201)** |
| **Proportional profit (loss) before tax** | **114,230** | 4,552 | (3,822) | (8,017) | 18,953 | (47,198) | 5,451 | **(30,081)** | (5,861) | (7,660) | 2 | (3,517) | **(17,036)** | **(47,395)** | **19,718** |
| Income tax benefit (expense) | **(12,254)** | 12,457 | (726) | 8,934 | (10,573) | 6,900 | (1,636) | **15,356** | 7,303 | - | - | 2,206 | **9,509** | **8,511** | **21,122** |
| **Proportional net profit (loss)** | **101,976** | 17,009 | (4,548) | 917 | 8,380 | (40,298) | 3,815 | **(14,725)** | 1,442 | (7,660) | 2 | (1,311) | **(7,527)** | **(38,884)** | **40,840** |

## 2 Segment information (continued)

### Other segment information - Proportional income statement

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

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

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

Segment revenue reconciles to total statutory revenue as follows:

| | Half-year | |
|---|---|---|
| | **2013** **$'000** | 2012 $'000 |
| **Total segment revenue (proportional)** | **628,342** | 562,576 |
| Add: Revenue attributable to non-controlling interest | **13,511** | 13,734 |
| Less: Revenue of equity accounted assets | **(126,471)** | (111,110) |
| Construction revenue recognised in accordance with AASB-I 12 Service Concession Arrangements | **36,713** | 106,331 |
| Business development revenue (offset against business development costs for proportional result) | **18,275** | 10,724 |
| Other | **1,509** | 2,947 |
| **Total statutory revenue (note 3)** | **571,879** | 585,202 |

*Interest revenue*
Interest revenue is earned through bank interest revenue and held to maturity interest received.

Interest revenue reconciles to total statutory finance income as follows:

| | Half-year | |
|---|---|---|
| | **2013** **$'000** | 2012 $'000 |
| **Total segment interest revenue (proportional)** | **58,938** | 55,616 |
| Add: Interest revenue attributable to non-controlling interest | **40** | 107 |
| Add: Foreign exchange gains | **301** | - |
| Less: Interest revenue of non-controlled assets | **(1,020)** | (1,870) |
| **Total statutory finance income (note 6)** | **58,259** | 53,853 |

## 2 Segment information (continued)

**Other segment information - Proportional income statement (continued)**

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

| | Half-year | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| **Proportional EBITDA** | **463,162** | 416,901 |
| Add: Proportional EBITDA attributable to non-controlling interest | **8,534** | 9,300 |
| Less: Proportional EBITDA of M5 | **(44,007)** | (44,455) |
| Less: Proportional EBITDA of M7 | **(47,784)** | (41,421) |
| Less: Proportional EBITDA of Pocahontas | **(4,147)** | (3,188) |
| Less: Proportional EBITDA of 495 Express Lanes | **2,770** | 1,498 |
| Less: Proportional EBITDA of Other Transurban DRIVe | **2,533** | 2,204 |
| **Statutory profit before depreciation and amortisation, net finance costs, equity accounted investments and tax** | **381,061** | 340,839 |
| Statutory net finance costs | **(129,398)** | (123,947) |
| Statutory depreciation and amortisation | **(159,746)** | (154,867) |
| Share of net losses of equity accounted investments | **(14,996)** | 853 |
| Income tax benefit | **4,019** | 18,265 |
| **Profit for the half-year** | **80,940** | 81,143 |

## 3 Revenue

| | Notes | Half-year **2013** **$'000** | 2012 $'000 |
|---|---|---|---|
| Toll revenue | 3(a) | **450,645** | 397,692 |
| Fee revenue | 3(a) | **38,420** | 32,133 |
| Other road revenue | 3(b) | **8,578** | 9,568 |
| Total toll, fee and other road revenue | | **497,643** | 439,393 |
| Construction revenue | 3(c) | **53,702** | 124,618 |
| Management and business development revenue | 3(d) | **19,722** | 19,513 |
| Other revenue | | **812** | 1,678 |
| Total management, business development and other revenue | | **20,534** | 21,191 |
| | | **571,879** | 585,202 |

### (a) Toll and fee revenue

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

### (b) Other road revenue

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

### (c) Construction revenue

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

### (d) Management and business development revenue

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

## 4 Financial instruments

The carrying value of financial assets and financial liabilities brought to account at balance sheet date approximates fair value.

### (a) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 *Fair value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

## 4 Financial instruments (continued)

### (a) Fair value measurements (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2013:

| **At 31 December 2013** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivatives used for hedging | **-** | **45,627** | **-** | **45,627** |
| **Total assets** | **-** | **45,627** | **-** | **45,627** |
| **Liabilities** | | | | |
| Derivatives used for hedging | **-** | **301,219** | **-** | **301,219** |
| **Total liabilities** | **-** | **301,219** | **-** | **301,219** |

| At 30 June 2013 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivatives used for hedging | - | 10,898 | - | 10,898 |
| **Total assets** | - | 10,898 | - | 10,898 |
| **Liabilities** | | | | |
| Derivatives used for hedging | - | 364,909 | - | 364,909 |
| **Total liabilities** | - | 364,909 | - | 364,909 |

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of both cross-currency interest rate swaps and interest rate swaps is calculated as the present value of the estimated future cash flows using a market interest rate for a similar instrument at the measurement date. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. All these instruments are included in level 2.

Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group entity and counterparty where appropriate.

## 5 Borrowings

**Capital markets debt**

In October 2013 the Group issued EUR 500.0 million of secured fixed rate 7-year notes under its Euro Medium Term Note Programme. The notes will mature in October 2020 and were issued at a fixed coupon rate of 2.5 per cent. The notes rank equally with the Group's existing senior debt facilities. Proceeds were used in part to repay $100.0 million of bank term debt that was to mature in August 2014 and to part fund the Cross City Tunnel debt acquisition.

In December 2013 AMT Management Limited (as trustee for Airport Motorway Trust) issued $300.0 million of secured fixed rate 7-year notes at a fixed coupon of 5.5 per cent. The new notes repaid $295.0 million of existing debt, which was due to mature in July 2014, and associated transaction costs. The notes will rank equally with the entity's other bank debt.

**Working capital facilities and bank debt**

During the period the Group entered into $350.0 million of working capital facilities to refinance $220.0 million of facilities that were due in December 2013 and $100.0 million of facilities due in August 2014. Each of the new facilities is for a term of 3 years.

In December 2013 the Group established a $275.0 million one year bridging facility in connection with the Cross City Tunnel debt acquisition. The above bank facilities rank equally with Transurban's existing senior debt facilities.

## 6 Net finance costs

| | Half-year | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| **Finance income** | | |
| Interest income on held to maturity investments | **52,286** | 48,734 |
| Interest income on bank deposits | **5,672** | 5,119 |
| Net foreign exchange gains | **301** | - |
| **Total finance income** | **58,259** | 53,853 |
| **Finance costs** | | |
| Interest and finance charges paid/payable | **(186,716)** | (166,587) |
| Unwind of discount on liabilities | **(941)** | (11,005) |
| Net foreign exchange losses | **-** | (208) |
| **Total finance costs** | **(187,657)** | (177,800) |
| **Net finance costs** | **(129,398)** | (123,947) |

## 7 Distributions

| | Half-year | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| **Distribution payable** | | |
| Interim distribution for 2014 financial year payable and recognised as a liability: 17.0 cents (2013: 15.5 cents) per fully paid Stapled Security payable 14 February 2014 | | |
| Fully franked (2013: fully franked) interim dividend based on tax paid at 30% - 3.5 cents (2013: 3.5 cents) per fully paid Stapled Security | **52,010** | 51,183 |
| Unfranked interim distribution - 13.5 cents (2013: 12.0 cents) per fully paid Stapled Security | **200,612** | 175,486 |
| | **252,622** | 226,669 |

| | | |
|---|---|---|
| **Distributions paid during the half-year** | | |
| Final distribution for 2013 financial year of 15.5 cents (2012: 15.0 cents) per fully paid Stapled Security paid 14 August 2013 | | |
| Fully franked (2012: fully franked) dividend based on tax paid at 30% - 3.5 cents (2012: 3.5 cents) per fully paid Stapled Security | **51,856** | 51,041 |
| Unfranked distribution - 12.0 cents (2012: 11.5 cents) per fully paid Stapled Security | **177,791** | 167,707 |
| | **229,647** | 218,748 |

| | | |
|---|---|---|
| Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the half-period ended 31 December 2013 and 2012 | | |
| Paid in cash | **204,586** | 202,271 |
| Satisfied by issue of Stapled Securities | **25,055** | 16,475 |
| Funds available for future distribution reinvestment plans | **6** | 2 |
| | **229,647** | 218,748 |

## 7 Distributions (continued)

### Distribution policy and free cash calculation

The Group's distribution is determined taking into account the amount of free cash from operations. The Group calculates free cash as follows:

| | Half-year | |
|---|---|---|
| | **2013 $'000** | 2012 $'000 |
| Cash flows from operating activities | **226,875** | 181,007 |
| Less M7 and M5 Term Loan Note interest received | **(21,946)** | (18,685) |
| Add back payments for maintenance and intangibles | **7,495** | 5,284 |
| | **212,424** | 167,606 |
| Less cash flows from operating activities - M1 Eastern Distributor | **(20,016)** | (18,198) |
| **Controlled cash** | **192,408** | 149,408 |
| Add dividends and distributions received | | |
| M1 Easter Distributor | **12,767** | 10,965 |
| M5 Interlink | **26,500** | 24,500 |
| Westlink M7 Term Loan Note interest | **21,050** | 18,685 |
| M5 Term Loan Note interest | **896** | - |
| Less allowance for maintenance of capital expenditure for CityLink, Hills M2 and Lane Cove Tunnel and e-Tag expenditure | **(13,649)** | (10,790) |
| **Free cash** | **239,972** | 192,768 |
| **Weighted average securities on issue (millions) - 31 December** | **1,485** | 1,461 |
| Free cash per security (cents) - weighted average securities | **16.2** | 13.2 |

## 8 Equity securities issued

| | **2013 Stapled securities** | 2012 Stapled securities | **2013 $'000** | 2012 $'000 |
|---|---|---|---|---|
| **Issues of stapled securities during the half-year** | | | | |
| Distribution reinvestment plan issues | **3,691,841** | 2,853,773 | **25,055** | 16,475 |
| 2009 Performance Award Plan | **-** | 714,706 | **-** | 1,633 |
| 2010 Performance Award Plan | **513,272** | - | **1,933** | - |
| Deferred STI share issue | **213,717** | 490,212 | **1,438** | 2,786 |
| | **4,418,830** | 4,058,691 | **28,426** | 20,894 |

## 9 Earnings per stapled security

### Basic earnings per security

| | Half-year | |
|---|---|---|
| | **2013** | 2012 |
| | **Cents** | Cents |
| Earnings per security attributable to the ordinary equity holders of the stapled group | **5.5** | 5.5 |
| | **5.5** | 5.5 |

### Diluted earnings per security

| | Half-year | |
|---|---|---|
| | **2013** | 2012 |
| | **Cents** | Cents |
| Earnings per security attributable to the ordinary equity holders of the stapled group | **5.5** | 5.5 |
| | **5.5** | 5.5 |

### Reconciliation of earnings used in calculating earnings per security

| | Half-year | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| *Basic and diluted earnings per security* | | |
| Profit for the half-year | **80,940** | 81,143 |
| Profit attributable to non-controlling interests | **66** | (199) |
| Profit attributable to ordinary equity holders of the stapled group used in calculating earnings per security | **81,006** | 80,944 |

### Weighted average number of securities used as the denominator

| | Half-year | |
|---|---|---|
| | **2013** | 2012 |
| | **Number** | Number |
| Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating basic and diluted earnings per security | **1,484,647,501** | 1,460,918,412 |

## 10 Net tangible asset backing

| | **31 December 2013 $** | 30 June 2013 $ |
|---|---|---|
| Net tangible asset backing per stapled security* | **2.01** | 2.10 |

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

## 11 Contingencies

There have been no material changes in contingent liabilities or contingent assets since 30 June 2013.

## 12 Business combination

### Summary of acquisition

On 30 December 2013 the Group is deemed under AASB 10 Consolidated Financial Statements to have obtained control of the Cross City Tunnel holding and operating entities ('CCT Group') being CrossCity Motorway Pty Ltd, CCT Motorway Finance Pty Limited, CM Holdings Trust Pty Limited, CCT Motorway Company Nominees Pty Limited, CrossCity Motorway Nominees No. 2 Pty Ltd and CCT Motorway Group Holdings Pty Ltd, who collectively operate the Cross City Tunnel, a 2.1 kilometre toll road located in Sydney, Australia. The Group obtained control via the acquisition of 100 per cent of the senior secured debt exposure to the CCT Group from The Royal Bank of Scotland plc., Australian Branch and The Royal Bank of Scotland N.V., Australian Branch (together RBS) for $491 million, inclusive of $16.1 million of cash and cash equivalents acquired. At the time of the acquisition, receivers and managers had been appointed to each of the CCT Group entities by RBS. The Group's acquisition of the senior secured debt exposure gave it the right to remove and appoint the receivers and managers and therefore significant rights (power) in relation to the relevant activities of the CCT Group entities, notwithstanding that the Group has no equity ownership interest in the CCT Group entities. CCT Group is treated as a 100 per cent minority interest at 31 December 2013.

The receivers and managers are conducting a sale process for the asset and the Group is participating in that process. The outcome of the sale process is expected to be either that:

• The Group successfully acquires the Cross City Tunnel toll road concession (not the CCT Group entities); or
• The Group recovers its senior secured debt exposure to the CCT Group.

In either scenario, the Group will have no on-going interest in the CCT Group entities following completion of the sale process. Accordingly, the assets and liabilities of the CCT Group entities that are required to be consolidated from the date of acquisition of the CCT Group senior secured debt exposure are considered to be held-for-sale (disposal). Further, until the sale process is complete the financial performance of the CCT Group entities is being reported to the CEO and the executive committee as a separate operating segment and the financial performance of the CCT Group entities is presented as a discontinued operation in the consolidated income statement.

## 12 Business combination (continued)

**Summary of acquisition (continued)**

**Identifiable assets acquired and liabilities assumed**

| | Fair value $'000 |
|---|---|
| Assets held for sale | **533,844** |
| Liabilities held for sale | **(42,734)** |
| Net identifiable assets acquired | **491,110** |

The assets and liabilities of the CCT Group entities have been measured at fair value less costs to sell at the acquisition date with fair values having been determined on a provisional basis. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

**Acquisition-related costs**

The Group incurred acquisition related costs of $1.3 million relating to external legal fees and due diligence costs. These costs have been included within Corporate costs in the Group's Consolidated income statement.

There were no acquisitions in the period ending 31 December 2012.

## 13 Events occurring after the balance sheet date

In February 2014 Transurban has been named as the preferred bidder in the Cross City Tunnel sale process and negotiations are continuing with the receiver.

There are no other unusual matters or circumstances that have arisen since the end of the half-year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 6 to 26 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that Transurban Holdings Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with separate resolutions of the Directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited and Transurban International Limited.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
13 February 2014

# Independent auditor's review report to the members of Transurban Holdings Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Transurban Holdings Limited (the Company), which comprises the balance sheet as at 31 December 2013, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Transurban Holdings Limited Group (the Group). The Group comprises the aggregation of Transurban Holdings Limited (THL), Transurban Holding Trust (THT) and Transurban International Limited (TIL) and the entities they controlled during that half-year.

*Directors' responsibility for the half-year financial report*

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

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Transurban Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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

***PricewaterhouseCoopers, ABN 52 780 433 757***
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006*
*GPO Box 1331L, MELBOURNE VIC 3001, DX77*
*T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au*

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Transurban Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
13 February 2014