

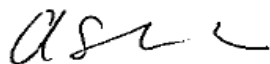
asx release

22 September 2011

2011 Annual Report

Please find attached the 2011 Annual Report that is to be mailed today to those security holders who have elected to receive a hard copy.

The 2011 Annual Report is available online at www.transurban.com.



Amanda Street
Company Secretary

Investor enquiries

Wesley Ballantine +61 (3) 8656 8904
General Manager, Investor Relations, Media and Government

Classification

Public

Transurban Group

Transurban International Limited
ARBN 121 746 825

Transurban Holdings Limited
ABN 86 098 143 429

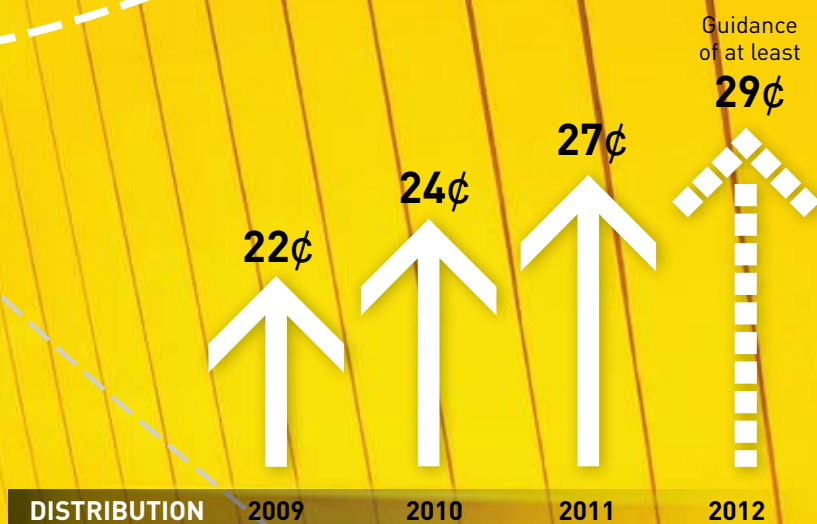
Transurban Holding Trust
ABN 30 169 362 255
ARSN 098 807 419

email@transurban.com.au
www.transurban.com.au

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

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

ANNUAL REPORT 2011



Annual Report

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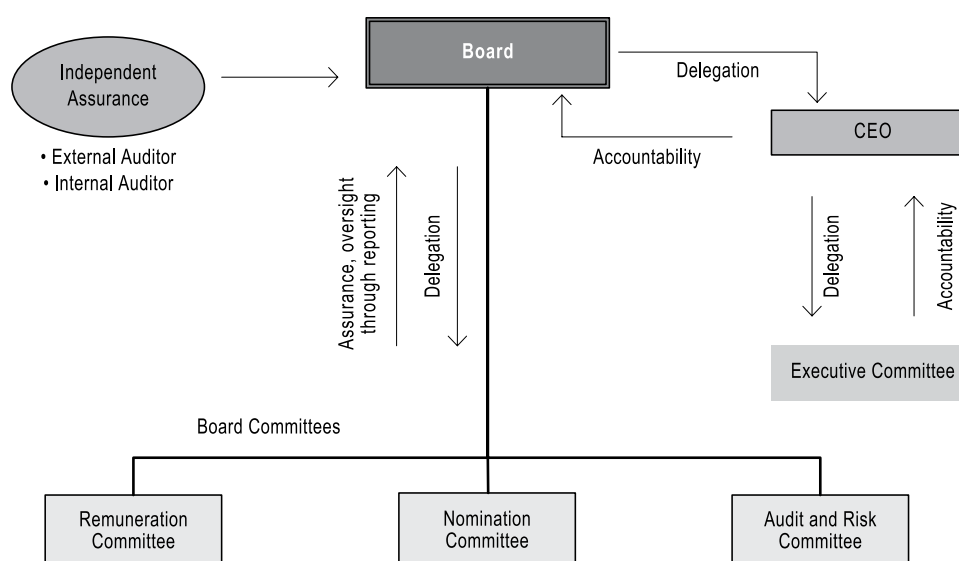
2011 CORPORATE GOVERNANCE STATEMENT

This statement outlines the key aspects of Transurban's corporate governance framework and main governance practices. Copies or summaries of certain governance documents referred to in this statement can be found in the "Corporate Governance" section of the Transurban website. These charters, policies and procedures are regularly reviewed and updated to ensure they continue to reflect best practice.

Throughout the year ended 30 June 2011 (the **reporting period**), Transurban's governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.¹ A checklist cross-referencing the Principles and Recommendations to the relevant sections of this statement and elsewhere in the Annual Report can be found in the "Corporate Governance" section of the Transurban website.

The Board of Transurban Holdings Limited (**THL**), the Board of Transurban Infrastructure Management Limited (**TIML**), as responsible entity of Transurban Holding Trust (**THT**), and the Board of Transurban International Limited (**TIL**) are collectively referred to as the "Board" in this statement, unless otherwise indicated.

Corporate governance framework



1 ROLE OF THE BOARD

Relevant governance documents:

✓ **Board Charter**

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

The Board has a Charter that sets out its authority, responsibilities and membership, and the arrangements by which it operates. The Charter also clearly establishes the relationship between the Board and management. The Board reviewed and amended the Charter during the reporting period.

The primary role of the Board is to provide overall strategic guidance for Transurban and effective oversight of management. To this end, the Board has reserved to itself the specific responsibilities listed in the Board Charter. To assist it in discharging these responsibilities, the Board has established committees to give detailed consideration to key issues.

The Board has delegated to the CEO, and through the CEO to other senior executives, responsibility for the day-to-day management of Transurban. The scope of, and limitations to, these delegations are clearly documented and cover areas such as operating expenditure, capital expenditure and investments. These delegations balance effective oversight with appropriate empowerment and accountability of senior executives.

¹ On 30 June 2010, the ASX Corporate Governance Council (**CGC**) released final amendments to the Principles and Recommendations in relation to diversity, remuneration, trading policies and briefings. The changes take effect for the first financial year of listed entities commencing on or after 1 January 2011, but an early transition to the changes is encouraged by the CGC. Transurban has already made the transition to these changes.

2 STRUCTURE AND MEMBERSHIP OF THE BOARD

Relevant governance documents:

- ✓ *Board Charter*
- ✓ *Policy and Procedure for the Nomination, Selection and Appointment of New Non-Executive Directors and the Re-Election of Incumbent Non-Executive Directors*
- ✓ *Diversity Policy*

Board structure

The Board is structured so that its membership provides the mix of qualifications, skills, experience and diversity to enable it to discharge its responsibilities, and so that its size facilitates effective discussion and efficient decision making.

The Board determines its size and composition, subject to the constitutions of THL and TIML, the bye-laws of TIL, and the law.

The Board of THL and the Board of TIML have common directors and meetings are held concurrently. This Board currently comprises 9 directors, with 8 non-executive directors, including the Chairman, and 1 executive director, the CEO. During the reporting period, David Ryan resigned as Chairman and was replaced by Lindsay Maxsted. Bob Officer and Sam Mostyn also joined the Board. These changes were further significant steps in the Board renewal process.

The Board of TIL meets separately. This Board currently comprises 4 directors, with 3 non-executive directors, including the Chairman, and 1 executive director, the CEO. During the reporting period, David Ryan resigned as Chairman of TIL and was replaced by Lindsay Maxsted.

Each director's skills, qualifications, experience, relevant expertise and period in office are set out in the Directors' Report.

Director independence

Each director is expected to bring unfettered and independent judgment to the Board's deliberations.

Under the Board Charter, the Board must comprise a majority of independent non-executive directors and have an independent non-executive Chairman. The roles of the Chairman and the CEO must be exercised by separate individuals.

The Board defines an independent director as a non-executive director who is free of any business or other relationship that could interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment and ability to act in the best interests of security holders.

In assessing the independent status of a non-executive director, the Board considers the 'relationships affecting independent status' set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and other facts, information and circumstances that the Board considers relevant. The test of whether a business or other relationship is material² is assessed from the perspective of both Transurban and the director.

The Board assesses the independence of new directors upon appointment, and reviews the independence of all directors annually and as appropriate. Each director is required to provide the Board with all relevant information to enable it to make this assessment.

The Board has reviewed the positions and associations of the non-executive directors named in the Directors' Report, including the Chairman. The Board considers each of them to be independent, except for Bob Officer. Professor Officer is not considered to be independent as he is a nominee of CP2 Limited, one of Transurban's largest security holders.

Lindsay Maxsted, Neil Chatfield, Rodney Slater, Samantha Mostyn and Jennifer Eve each hold positions in companies or with firms with which Transurban has commercial relationships, as described in note 36 in the Notes to the Financial Statements in the Annual Report. The Board has considered each case separately and has concluded that these relationships are not material and do not interfere with the relevant director's exercise of unfettered and independent judgment or their ability to act in the best interests of security holders. None of Mr Maxsted, Mr Chatfield, Mr Slater, Ms Mostyn nor Ms Eve were, or are, involved in any procurement or other Board decision making regarding the companies or firms with which they have an association.

² While the Board believes it is inappropriate to determine materiality solely on the basis of arbitrary dollar, profit or turnover percentage tests, when assessing materiality, thresholds suggested in accounting standards are used and interests equal to more than 5% of revenue, equity or profit are potentially material. In certain circumstances, the Board considers that interests of a lesser value might also be relevant.

Tenure, retirement and re-election

Each non-executive director's term of appointment is subject to the provisions of the Corporations Act, the ASX Listing Rules, the constitutions of THL and TIML and the bye-laws of TIL.

New directors (appointed by the Board during the year to fill a casual vacancy or as an addition to the Board) are required to seek election as a director at the annual general meeting (AGM) following their appointment, and then re-election on a rotational basis with the other directors.

No director of THL or TIML (other than the CEO) may hold office without re-election past the third AGM following their appointment or 3 years, whichever is longer. Each director of TIL (other than the CEO and the directors appointed by the Class A and B Shareholders) must retire from office or seek re-election at each AGM.

Board support for directors retiring and seeking re-election is not automatic. Prior to each AGM, the Board determines whether it will recommend to security holders that they vote in favour of the re-election of each non-executive director seeking re-election, having regard to any matters the Board considers relevant, including the director's performance evaluation and his or her tenure.

The Board does not set fixed tenure limits for non-executive directors. It is the Board's intention that non-executive directors serve up to three terms, but tenure remains a matter for the Board's discretion on a case-by-case basis.

In the case of long-serving non-executive directors who are standing for re-election at an AGM but who intend to retire from the Board within their next term, this intention to retire will be clearly disclosed in the AGM notice of meeting.

Nomination and appointment of new directors and Board gender diversity

The Board has established a policy and procedure for the nomination, selection and appointment of new non-executive directors. A regular assessment of the range of qualifications, skills, experience, and diversity of gender, age, experience, relationships and background on the Board is undertaken to enable the identification of particular competencies and perspectives that will best increase the Board's effectiveness. The assessment is assisted by the development and use of a Board 'skills matrix' to identify any gaps. Where a need or gap is identified or arises, the Nomination Committee commences a search process for potential appointees across a diverse candidate pool, with the assistance of external consultants as necessary. The Nomination Committee then undertakes an assessment of short listed potential appointees. The Chairman and other directors also meet in person with potential appointees. The Nomination Committee will then recommend the most appropriate candidate(s) for consideration by the Board as a whole.

During the reporting period, the Board reviewed the mix of skills and diversity which it is looking to achieve in its membership. It identified additional gender diversity and engineering, major projects and infrastructure skills and experience as priorities. A search process has commenced for an additional one or two directors who meet the Board's criteria.

The Board recognises that diversity is a competitive advantage bringing real value and adding to the collective skills and experience of the Board. The Nomination Committee is responsible for making recommendations to the Board on strategies for addressing Board diversity (see section 4 below).

Induction of new directors

New non-executive directors are issued with a formal letter of appointment that sets out the key terms and conditions of appointment, including the director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with committee work.

An induction program is in place to allow new non-executive directors to participate fully and actively in Board decision making at the earliest opportunity. The program is designed to enable new directors to gain an understanding of Transurban's financial, strategic, operational and risk management position, its culture and values, the role and responsibilities of senior executives, the role of board committees, meeting arrangements and director interaction with each other, senior executives and other stakeholders.

Knowledge, skills and experience

Directors are expected to maintain the knowledge and skills required to discharge their obligations to Transurban. The Board is provided with papers, presentations and briefings on Transurban's operations, and is briefed on relevant changes in the legislative, regulatory or industry framework. Directors are expected to undertake any necessary continuing professional education and training to update and enhance their knowledge and skills.

Board access to information and independent professional advice

Directors have unrestricted access to management. Management is expected to provide regular detailed financial and operational reports in a form and timeframe, and of a quality, that enable the Board to discharge its duties effectively. Directors may request additional information where necessary to make informed decisions.

The Board Charter sets out the circumstances and procedures pursuant to which a director may seek independent professional advice at Transurban's expense. These procedures require prior consultation with, and the consent of, the Chairman and, under normal circumstances, the provision of a copy of the advice to the Board.

Conflicts of interest

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests.

Under the Corporations Act, the constitutions of THL and TIML and the Board Charter, directors are required to disclose any conflicts and abstain from participating in any discussion or voting on matters in which they have a material personal interest. A director who discloses that they may have a conflict must follow the procedures developed by the Board to deal with such circumstances.

3 OPERATION OF THE BOARD

Relevant governance documents:

- ✓ Board Charter
- ✓ Audit and Risk Committee Charter
- ✓ Nomination Committee Charter
- ✓ Remuneration Committee Charter

Board committees

The Board has established three standing committees of directors: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee.

In August 2010, the Board agreed that as sustainability was now sufficiently embedded in Transurban's business, the Sustainability Committee would be disbanded and all sustainability matters would be overseen by the full Board.

Each standing committee operates under a charter, approved by the Board, which sets out the authority, membership and responsibilities of the committee, together with any relevant administrative arrangements and any other matters considered appropriate by the Board.

The role of committees is to advise and make recommendations to the Board. The committees do not have decision making authority except as expressly stated in the relevant charter or as authorised by the Board.

The Board periodically reviews the appropriateness of the existing committee structure, as well as the membership and the charter of each committee. A review was undertaken during the reporting period, which resulted in amendments to the Audit and Risk Committee Charter and the Remuneration Committee Charter.

Committee composition as at 30 June 2011:

	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Members	• Neil Chatfield (Chair); • Lindsay Maxsted ; • Jeremy Davis; and • Bob Edgar. Each member is financially literate and has relevant qualifications/experience.	• Lindsay Maxsted (Chair); • Neil Chatfield; • Geoff Cosgriff; • Jeremy Davis; • Bob Edgar; • Samantha Mostyn; • Bob Officer; and • Rodney Slater.	• Geoff Cosgriff (Chair); • Jeremy Davis; and • Bob Edgar.
Composition	Only non-executive directors, <u>all</u> of whom are independent. ✓ At least 3 members. ✓ An independent Chair who is not also Chair of the Board. ✓	Only non-executive directors, <u>all</u> of whom are independent, except Bob Officer. ✓ At least 3 members. ✓ An independent Chair. ✓	Only non-executive directors, <u>all</u> of whom are independent. ✓ At least 3 members. ✓ An independent Chair. ✓
Areas of focus / responsibility	• Integrity of financial reporting; • Effectiveness of systems of financial risk management and internal control; • Internal and external audit functions; • Effectiveness of the risk management framework and supporting risk management systems.	• Size and composition of the Board and new Board appointments; • Board gender diversity and diversity in general; • Board, committee and director performance; • Board and senior executive succession planning.	• Remuneration of directors; • Performance and remuneration of, and incentives for, the CEO and other senior executives; • Remuneration by gender; • Remuneration strategies, practices and disclosures generally.

The number of meetings held by each committee during the reporting period and each member's attendance at those meetings are set out in the Directors' Report.

Performance of the Board

The Board acknowledges the importance of the regular review of its own performance, as well as the performance of its committees and individual directors. The Board conducts a formal performance evaluation each year and has an external consultant facilitate the process every third year. This arrangement is supplemented by assessments undertaken by committees, the results of which are reported to the Board.

A Board performance review was conducted during the reporting period. The review involved a detailed assessment by each director of Board and committee performance. Directors were specifically asked to comment on the composition and diversity of the current Board. The results of the assessment were considered by the Board as a whole. The process was then supplemented by one-on-one discussions between each director and the Chairman, which provided an opportunity for the consideration of individual contributions and issues particular to a director. The actions agreed by the Board in response to the performance review have been documented and the completion of these items is monitored by the Board.

As noted in section 4 below, Transurban has established a Diversity Policy and the Board has established measurable objectives for achieving gender diversity. Achieving these objectives will be a measure against which performance of the Board is assessed going forward. The Board recognises that increasing Board accountability for diversity objectives is an important element in delivering improvements in diversity on the Board and at all levels of the organisation.

Subsequent to the reporting period, certain committees also undertook an assessment by reference to the objectives and responsibilities set out in their charters. The results of the assessment were considered by the relevant committees and actions were agreed in response to specific matters raised by committee members.

Performance of senior executives

Each year the Board sets key performance indicators (KPIs) for the CEO, and approves KPIs set for other senior executives, against which their performance is measured. KPIs relate to both the performance of Transurban and the performance of the executive individually. A 'shared' executive team KPI is also set. The performance of the CEO is reviewed by the Board. The CEO reviews the performance of each senior executive and reports to the Board through the Remuneration Committee on the outcome of these reviews. The outcomes directly impact each senior executive's short term incentive.

Performance reviews for the CEO and other senior executives for the year ended 30 June 2010 were conducted during the reporting period. Detailed information regarding these reviews, and the reward structure and remuneration outcomes for the CEO and other senior executives during the reporting period, can be found in the Remuneration Report within the Directors' Report. Performance reviews for the year ended 30 June 2011 were conducted in July 2011.

Remuneration of directors and senior executives

The remuneration of non-executive directors consists entirely of directors' fees and committee fees. Non-executive directors do not receive any variable remuneration or other performance related incentives. In September 2005, the Board resolved to discontinue previously provided retirement benefits for non-executive directors. Accrued "frozen" retirement benefits plus interest (at the statutory fringe benefits rate) will be paid to Geoff Cosgriff and Jeremy Davis upon their retirement. No other current directors are entitled to any accrued retirement benefits.

Further details of the remuneration paid to each non-executive director during the reporting period are set out in the Remuneration Report within the Directors' Report.

For the reporting period, the remuneration of the CEO and other senior executives comprised fixed remuneration, short term cash incentives and long term equity based incentives. Transurban's remuneration strategy and framework, and the remuneration package and outcomes for the CEO and other senior executives, is described in detail in the Remuneration Report within the Directors' Report. During the reporting period, a comprehensive review of Transurban's remuneration framework was undertaken in light of feedback received from security holders and other stakeholders, market expectations and regulatory developments. As a result, the Board approved a new remuneration framework for the year commencing 1 July 2011, details of which are summarised in the Remuneration Report within the Directors' Report.

4 ETHICAL CONDUCT AND RESPONSIBLE DECISION-MAKING

Relevant governance documents:

- ✓ *How We Work @ TU*
- ✓ *Whistleblower Policy*
- ✓ *Fraud Policy*
- ✓ *Dealing in Securities Policy*
- ✓ *Diversity Policy*
- ✓ *Sustainability Report*

Conduct and ethics

Transurban's code of conduct, "*How We Work @ TU*", sets the standards for how all of Transurban's employees, consultants and contractors should act to ensure that Transurban's organisational values (honesty, integrity, humility and accountability) are upheld.

All employees are expected to align their actions with the code whenever they are representing Transurban or undertaking work on Transurban's behalf. The code refers employees to relevant Transurban policies for further information and guidance. It also encourages employees who become aware of unethical behaviours to report these to senior management.

A copy of *How We Work @ TU* is provided to new employees and is discussed as part of their induction training. New employees are also required to complete online training in relation to the code.

Whistleblower protection

In keeping with the spirit of *How We Work @ TU*, Transurban has a Whistleblower Policy to encourage directors, senior executives, employees, contractors and suppliers who have witnessed, or know about, any misconduct to report it without fear of reprisal. The policy sets out how Transurban will respond to, and investigate, reports of misconduct, and outlines the protections available to those who make a whistleblower report in good faith.

Transurban also has a separate Fraud Policy that sets out the procedures for the investigation of reports of fraudulent or corrupt conduct that are made other than under the Whistleblower Policy.

Dealing in securities

Transurban has a Dealing in Securities Policy that establishes a procedure for dealings by directors, senior executives, employees, contractors and their related parties in Transurban securities, and in securities of other entities with whom Transurban may have business dealings.

The policy prohibits directors and employees from dealing in securities at any time if they are in possession of price-sensitive information. Dealing is also not permitted during designated "Closed Periods" except with prior approval in circumstances of financial hardship. Directors and employees may generally deal in securities during "Open Periods" if prior approval is obtained in accordance with procedure set out in the policy. For the purposes of the policy, dealing includes hedging.

The policy also prohibits dealing in securities on a short-term basis, except in circumstances of financial hardship. Employees who have entitlements to securities under a Transurban equity plan may not hedge against those entitlements until they have vested. In addition, directors and senior executives 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 securities as security.

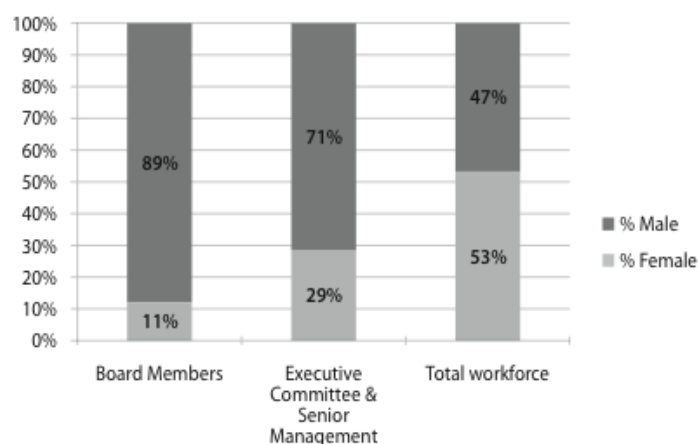
Diversity

Transurban's workforce is made up of individuals with diverse skills, values, backgrounds, experiences and needs. Transurban values this diversity and recognises the organisational strength, opportunities for innovation and other corporate benefits that it brings. Transurban is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities at work. Transurban has, and will continue to develop, practices, programs and initiatives to support and assist with improving diversity at all levels of the business.

Transurban believes that genuine diversity drives strategic advantage and contributes to the achievement of its corporate objectives. It enables Transurban to attract people with the best skills and attributes, and to develop a workforce selected from all available talent, whose diversity reflects that of the customers and communities Transurban serves.

Transurban was an early adopter of the diversity measures set out in the ASX Corporate Governance Council's Principles and Recommendations that came in to effect for financial years ending on or after 1 January 2011. In 2010, Transurban established a Diversity Policy that included a requirement for the Board to set measurable objectives for achieving gender diversity and review both the objectives and the progress in achieving them annually.

Transurban's gender diversity profile as at 30 June 2011 is set out below.



Transurban's measurable gender diversity objectives for the reporting period, and the progress in achieving those objectives during that period, are outlined below.

Recruitment		
Objective	FY10 Actual and FY11 Target	Outcome as at 30 June 2011
Increase the proportion of women on the Board	- FY10 (Actual) – 1 female non-executive director - FY11/12 (Target) – 1 additional female non-executive director	Samantha Mostyn was appointed to the Board on 8 December 2010. Her appointment was another important step in the Board's ongoing renewal process. A search process is currently underway for another female Board member.
Increase the proportion of women in senior executive positions	- FY10 (Actual) – 25% of senior executive positions held by women - FY11 (Target) – 30% of senior executive positions held by women	29% of senior executive positions are held by women. During the reporting period, Transurban implemented a 'Women in Leadership' Program to assist with the development of high potential women in the business and improve the proportion of women in executive positions in the future. As at 30 June 2011, 22 women had participated in the program.
Proactive consideration of female candidates for Board and management positions	Minimum of 1 female candidate included in every Board / management interview list	Female candidates were included in every Board / management interview list. During the reporting period, 1 female was appointed to the Board, and management appointments occurred through the implementation of succession plans.
Development		
Objective	FY10 Actual and FY11 Target	Outcome as at 30 June 2011
Development plans in place for all women in senior executive positions	- FY10 (Actual) – 100% of development plans completed for women in senior executive positions - FY11 (Target) – 100% of development plans completed and updated	100% of development plans were completed and updated. In 2010, targeted development plans were formalised and actioned for all women in senior executive positions. During the reporting period, these plans were updated to reflect each executive's progress.
Women promoted into and within management positions	- FY10 (Actual) – 39% of promotions into and within management were earned by women - FY11 (Target) – 45% of promotions into and within management were earned by women	During the reporting period, there were 9 senior executive and senior management promotions. 4 (44%) of these positions were earned by female employees.
Enhance workplace flexibility options	FY11 (target) – Enhancement to Parental Leave Policy and introduction of Purchasing Leave Policy	Transurban has an extensive workplace flexibility program offering. Enhancements to the program were made during the reporting period: - Parental Leave Policy – which includes expansion of paid weeks to 12 weeks for maternity leave (with additional 2 week return to work bonus) and 2 weeks for paternity leave. Extensive supporting tools were also developed to guide employees and managers through pre, during and post paternal leave arrangements; and - Purchasing Leave Policy – this was the first year Transurban introduced this policy for employees to purchase up to 4 weeks additional leave. 37 employees chose to take up this option in 2011.

Women in Leadership Program

As noted above, during the reporting period, Transurban initiated a 'Women in Leadership' program to support its gender diversity objectives. The program outcomes were to:

- increase the proportion of women in leadership roles and the retention of existing women leaders;
- increase the self-awareness of women leaders (and potential leaders);
- empower women leaders to honour and value their unique perspective and contribution to leadership; and
- create a forum where women leaders could create informal networks and establish support mechanisms.

A pilot program was held in February 2011, targeting female senior managers. Due to the success of the pilot, another program followed in April 2011 with high potential female middle managers invited to participate. A total of 22 high potential women took part. Feedback was positive with participants acknowledging it was a great forum to share experiences and challenges as well as recognising conscious and subconscious barriers and stereotyping. A third group of women participated in the program in August 2011.

A gender pay equity review also commenced during the reporting period as part of Transurban's commitment to gender diversity.

Sustainability

The Board is committed to ensuring that all Transurban operations work to sustainable business practices. Further information on Transurban's approach to sustainability is set out in Transurban's Sustainability Report which will be published in October 2011.

5 INTEGRITY IN FINANCIAL REPORTING

Relevant governance documents:

- ✓ *Audit and Risk Committee Charter*
- ✓ *External Auditor Independence Policy*

Role of the Audit and Risk Committee

The Audit and Risk Committee assists the Board in overseeing the integrity of financial reporting, the effectiveness of systems of financial risk management and internal control, and the internal and external audit functions.

The CEO, the CFO, the internal auditor and the external auditor must attend committee meetings if requested. Other members of management and advisers may also be invited to attend meetings.

The Audit and Risk Committee has unrestricted access to management and the auditors, and rights to seek explanations and additional information. The committee meets on a regular basis with the internal auditor, and separately with the external auditor, without management present.

Independence of the external auditor

Transurban's external auditor is PricewaterhouseCoopers. The effectiveness, performance and independence of the external auditor is reviewed by the Audit and Risk Committee. If it becomes necessary to replace the external auditor for performance or independence reasons, the committee will formalise a procedure and policy for the selection and appointment of a new external auditor.

The Corporations Act requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the Corporations Act and the rules of professional accounting bodies. PricewaterhouseCoopers has provided an independence declaration to the Board for the reporting period. The declaration forms part of the Directors' Report.

John Yeoman is the lead audit engagement partner of PricewaterhouseCoopers in relation to the audit of Transurban. He was appointed on 1 July 2007 and is due to be rotated off as lead audit partner in 2012.

Restrictions on the provision of non-audit services by the external auditor

Transurban has implemented policies and procedures to monitor the independence of the external auditor. The External Auditor Independence Policy regulates the provision of non-audit services by the external auditor. Under the policy, the auditor is prohibited from providing certain non-audit services, and may only provide a permissible non-audit service where there is a compelling reason for the auditor to do so. The provision of permissible non-audit services must be pre-approved by either the Audit and Risk Committee, the Chair of that committee, or the CFO (where the proposed fee for the service does not exceed \$5,000). The CFO provides a verbal report at each Audit and Risk Committee meeting describing any non-audit services pre-approved by the CFO or the Chair since the last meeting.

Details of the fees paid to PricewaterhouseCoopers during the reporting period, including a breakdown of fees paid for non-audit services, are set out in the Directors' Report. The Board has considered the nature of the non-audit services provided by PricewaterhouseCoopers during the reporting period and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act and that the auditor's independence has not been compromised.

Attendance of the external auditor at annual general meeting

The lead audit engagement partner of PricewaterhouseCoopers attends, and is available to answer security holder questions about the conduct of the audit and the preparation and content of the auditor's report at, Transurban's AGM.

6 CONTINUOUS DISCLOSURE

Relevant governance documents:

✓ *Continuous Disclosure Policy and Procedure*

Transurban has a Continuous Disclosure Policy and Procedure that establishes a best practice procedure for compliance with its continuous disclosure obligations, provides guidance for the identification of material information and requires the reporting of such information to the Company Secretary for review. The policy also ensures that Transurban and its personnel are aware of the penalties for a contravention of Transurban's continuous disclosure obligations.

The Company Secretary has primary responsibility for the effective operation of the policy and for all communications with the ASX in relation to continuous disclosure issues. Under the policy, personnel must immediately notify the Company Secretary as soon as they become aware of information that should be considered for release to the ASX. The Company Secretary reviews that information, determines (after appropriate consultation) whether disclosure is required and, if so, co-ordinates the actual form of the disclosure, its approval and prompt release. All ASX releases are required to be cleared by either the Board (or a Board sub-committee) or the CEO (or in the CEO's absence, the CFO or a designated director).

All information disclosed to the ASX is promptly posted on the Transurban website. All material used in presentations to investors and analysts is released to the ASX immediately prior to the making of those presentations.

The Board considers potential disclosure issues at each of its meetings.

7 COMMUNICATIONS WITH SECURITY HOLDERS

Relevant governance documents:

✓ *Security Holder Communications Policy*

Transurban places considerable importance on effective communication with its security holders to ensure they are kept up to date with Transurban's latest news and information. The Security Holder Communications Policy outlines the range of ways Transurban provides information to its security holders and other stakeholders. These include the Transurban website, meetings and briefings, written materials and email updates. Security holders are encouraged to elect to receive information in electronic format in line with Transurban's commitment to sustainability.

Transurban uses its website to complement the official release of information to the ASX. All ASX announcements and related information, such as information provided to analysts or the media during briefings or presentations, are promptly posted on the website. The annual and half year results presentations, media releases and other communications material are also published on the website.

Annual general meeting

Transurban regards its AGM as an important opportunity to communicate with security holders. It is also a major forum for security holders to ask questions about the performance of Transurban, and to provide feedback to Transurban about information they have received.

Transurban welcomes and encourages security holder attendance and participation at AGMs. The full text of notices of meeting and explanatory material is published on the Transurban website. AGMs are also webcast to accommodate security holders who are unable to attend in person.

8 RISK MANAGEMENT

Relevant governance documents:

- ✓ *Audit and Risk Committee Charter*
- ✓ *Risk Management Policy*

Risk oversight and management

Transurban views effective risk management as central to achieving its objectives.

The Board is responsible for reviewing Transurban's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Transurban has a Risk Management Policy that sets out its commitment to risk management and identifies the associated roles and responsibilities of the Board, management and employees in the oversight and management of risk. The policy is supplemented by an enterprise wide risk management framework (compliant with the Australian / New Zealand standard (AS/NZ ISO 31000:2009) that seeks to embed risk management processes into Transurban's business activities and functions.

Within the framework, each business unit is required to formally consider its risk environment and create a register of identified risks, controls, a risk treatment plan and a risk management plan which are stored in a risk management information system. Risk Management Facilitators are appointed to each business unit to support Managers in implementing a robust and consistent approach to the identification and management of risks. Progress in the management of risks is regularly reported to executive management. Executive management has also established a strategic risk register which it reviews on at least a biennial basis.

The Audit and Risk Committee assists the Board in overseeing Transurban's Risk Management Policy and the effectiveness of its risk management framework and supporting systems. At each meeting, the committee considers the 'Key Risks Register'. This register includes material risks (those that are "A" rated by the business), strategic risks and certain other risks identified by the committee as being of sufficient concern to merit regular consideration. Management reports to the committee in relation to the effectiveness of the management of risks set out in the Key Risks Register. Detailed reports are provided to the committee if any of these risks are re-rated or if there are any other significant developments in relation to those risks.

Financial reporting - CEO and CFO certifications

The Board has received certifications from the CEO and the CFO in connection with the financial statements for the Transurban Group and the individual entities comprising the Transurban Group for the year ended 30 June 2011. The certifications state that the declaration provided in accordance with section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

Transurban Holdings Limited and Controlled Entities

ABN 86 098 143 429

(including Transurban International Limited and
Transurban Holding Trust)

Annual financial report for the year ended 30 June 2011

Transurban Holdings Limited ABN 86 098 143 429
Annual financial report - 30 June 2011

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Directors' report

The directors of Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited, as Responsible Entity for Transurban Holding Trust, present their report on the Transurban Group for the year ended 30 June 2011.

Group accounts

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

Directors

With the exception of the changes noted below, the following persons were directors of THL, Transurban Infrastructure Management Limited (TIML) and TIL during the whole of the financial year and up to the date of this report.

	THL	TIML	TIL
Non-executive directors			
Lindsay P Maxsted *	✓	✓	✓
David J Ryan AO (Resigned 12 August 2010)	✓	✓	✓
Neil G Chatfield	✓	✓	
Geoffrey O Cosgriff	✓	✓	
Jeremy G A Davis AM	✓	✓	
Robert J Edgar	✓	✓	
Samantha J Mostyn (Appointed 8 December 2010)	✓	✓	
Robert R Officer (Appointed 20 August 2010)	✓	✓	
Rodney E Slater	✓	✓	
Jennifer S Eve			✓
James M Keyes			✓
Executive director			
Christopher J Lynch	✓	✓	✓

(*) - Appointed to TIL on 12 August 2010

Results

The consolidated net profit for the year for the Group was \$118,158,000 (2010: profit of \$59,605,000). The net profit attributable to ordinary equity holders of the Group for the year was \$112,467,000 (2010: profit of \$59,418,000).

Principal activities

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

Distributions

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

	30 June 2011 \$'000	30 June 2010 \$'000
Distributions proposed		
Final distribution payable and recognised as a liability: 14 cents (2010: 12 cents) per fully paid Stapled Security payable 11 August 2011	<u>202,096</u>	169,760
	<u>202,096</u>	169,760
Distributions paid during the year		
Final distribution for 2010 financial year of 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security paid 27 August 2010	169,760	141,095
Interim distribution for 2011 financial year of 13.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 15 February 2011	<u>187,367</u>	154,806
Total distributions paid	<u>357,127</u>	295,901
 Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2011 and 30 June 2010		
Paid in cash	232,577	230,451
Executive loans - repayments	-	65
Satisfied by issue of Stapled Securities	124,557	65,381
Funds available (from)/for future distribution reinvestment plans	<u>(7)</u>	4
	<u>357,127</u>	295,901

The distributions are unfranked and have a minimal tax deferred component.

Review of operations

Transurban's net profit for the year ended 30 June 2011 was \$118.2 million. Toll revenue increased by 5.8 per cent to \$724.1 million. Strong traffic growth on CityLink following completion of construction of the Southern Link upgrade was a key driver behind the revenue increase, with the contribution from the Lane Cove Tunnel in its first year since acquisition assisting by partially offsetting the effect of the M4 concession ending in the prior year.

Performance of Transurban's portfolio of assets

CityLink (Melbourne)

CityLink toll revenue for the year ended 30 June 2011 increased 11.5 per cent to \$434.6 million. Average daily transactions increased 8.8 per cent.

Traffic volumes have been strong across the network following the completion of construction works on the Southern Link section of CityLink in October 2010, bringing to a close major works impacting motorists.

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

The acquisition of Lane Cove Tunnel was completed on 10 August 2010 and was successfully integrated into Transurban's business during the year.

Toll revenue from the date of acquisition to 30 June 2011 for the Lane Cove Tunnel and Military Road e-Ramps was \$51.7 million. Average daily trips increased 4.2 per cent over the previous year (prior to acquisition by Transurban).

Review of operations (continued)

Hills M2 (Sydney)

Toll revenue for the year ended 30 June 2011 for Hills M2 increased 3.0 per cent to \$145.7 million. Average daily trips increased 0.3 per cent.

On 26 October 2010, Transurban announced that it had reached contractual close with the NSW Government for the \$550.0 million upgrade of the Hills M2 Motorway. Financial close was reached on 19 November 2010 and construction commenced in January 2011.

Under the agreement to upgrade the M2, tolls will increase by approximately 7.7 per cent at construction completion and the concession will be extended four years to 2046. The works will increase capacity on the M2 by increasing the number of traffic lanes and the provision of new tolled ramps which will improve traffic flow and accessibility of the motorway.

M1 Eastern Distributor (Sydney) – Airport Motorway Group

Toll revenue for the year ended 30 June 2011 for the M1 Eastern Distributor increased 12.0 per cent to \$92.1 million. Average daily trips increased 2.5 percent.

The toll revenue increase was driven by toll increases for cars on 1 July 2010 and for trucks on 1 January 2011.

M5 (Sydney) - Interlink Roads Pty Limited

Toll revenue for the year ended 30 June 2011 for the M5 increased 3.0 per cent to \$167.5 million. Average daily trips increased 1.6 per cent.

Transurban and its partners are in continuing discussions with the NSW Government to widen the M5 corridor. At this stage, there is no agreement in place but Transurban continues to support the proposal and stands ready to bring greater capacity to the M5 corridor as a matter of priority.

Westlink M7 (Sydney) - Westlink Motorway Group

Toll revenue for the year ended 30 June 2011 for Westlink M7 increased 8.6 per cent to \$190.6 million. Average daily trips increased 6.2 per cent.

Growth in the southern section of Westlink M7 continues to be strong reflecting further development within the corridor during the year.

Pocahontas 895 (Virginia USA) - Transurban DRIVE

Toll revenue for the year ended 30 June 2011 for Pocahontas 895 increased 2.4 per cent to \$14.1 million. Average daily trips increased 1.8 per cent.

On 13 January 2011 the Richmond Airport Connector, linking Richmond International Airport with Pocahontas 895, was opened for traffic. This completed a two year construction of the connector.

Capital Beltway (Virginia USA) – Transurban DRIVE

Construction on the Capital Beltway (I-495) High Occupancy Toll (HOT) lane project is now more than 70 per cent complete after a very strong construction period. The construction project remains on budget and on track for completion in late 2012, with first tolls expected in 2013.

Other corporate activities

Organisational restructure

On 27 January 2011 Transurban announced a restructured Executive Committee. The amended organisational structure is aligned with Transurban's focus to ensure clear market based accountability at the senior executive level, and concentrate efforts around regional and market based relationships with the respective Government customers and communities Transurban serves.

Cost control

Cost control and efficiency continues to be a strong focus of the Group for the year ended 30 June 2011. The Group has a long term target of flat nominal costs.

Review of operations (continued)

Refinancing activities

Transurban continued to have success in refinancing activities in the year ended 30 June 2011.

August 2010	Raised \$260.0 million of non-recourse project debt to partially fund the acquisition of Lane Cove Tunnel.
September 2010	In conjunction with Westlink Motorway Group, refinanced \$505.0 million of non-recourse project debt on the Westlink M7.
November 2010	Refinanced \$465.0 million of non-recourse project debt on the Hills M2 and raised \$275.0 million of additional financing to fund the debt component of the M2 Upgrade project. The refinancing of \$465.0 million replaced financing put in place in May 2009 and was completed on competitive terms in an improved credit market.
December 2010	Refinanced \$270.0 million of Working Capital. This replaced \$320.0 million that was due to mature in February 2011.
May 2011	Issued \$200.0 million of domestic medium term notes, to partially fund \$300.0 million existing notes maturing in September 2011.
July 2011	Refinanced \$520.0 million of non-recourse project debt on the M1 Eastern Distributor.

Significant changes in the state of affairs

On 10 August 2010, the Group completed the acquisition of the Lane Cove Tunnel and Military Road e-Ramps motorway concession in Sydney, for consideration (including costs) of \$634.6 million.

Matters subsequent to the end of the financial year

As noted above, on 7 July 2011, the Group completed a refinancing of \$520.0 million of non-recourse project debt for the M1 Eastern Distributor. The refinancing replaces existing \$515.0 million non-recourse debt that was due to mature in July 2012, July 2014 and July 2016.

At the date of this report the directors are not aware of any other circumstances that have arisen since 30 June 2011 that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

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

Information on directors

Lindsay P Maxsted Dip Bus, FCA.

Chairman and independent non-executive director

Term of office

Director since 1 March 2008. Chairman since 12 August 2010.

Lindsay was the CEO of KPMG Australia between 2001 and 2007. His principal area of practice prior to becoming CEO was in the corporate recovery field managing a number of Australia's largest insolvency/workout/turnaround engagements. He is currently the Managing Director of Align Capital Pty Ltd, a non-executive director of BHP Billiton Limited and BHP Billiton plc, a non-executive director of Westpac Banking Corporation, and Honorary Treasurer of Baker IDI Heart and Diabetes Institute. He was previously the non-executive Chairman of VicRacing Pty Ltd and a non-executive director of St George Bank Limited.

Lindsay holds interests in 30,000 Stapled Securities.

Transurban Board Committee membership

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

Christopher J Lynch B Comm, MBA, FCPA, FAICD.

Chief Executive Officer

Term of office

Director since 18 February 2008. CEO since April 2008.

Chris came to Transurban from one of the world's largest resourcing and mining companies, BHP Billiton. He held a series of senior appointments there, including 5 years as CFO. His last position at BHP Billiton was Executive Director and Group President - Carbon Steel Materials. Prior to his time at BHP Billiton the bulk of Chris' career was with Alcoa Inc where his roles included Vice President and CIO, CFO Europe, and Managing Director of KAAL Australia Limited.

Chris has experience in senior leadership roles in global corporations operating across multiple markets and the development and operation of major projects with large up-front capital requirements.

Chris is also an AFL Commissioner.

Chris holds interests in 255,401 Stapled Securities and 1,100,932 Performance Awards.

Neil G Chatfield M.Bus, FCPA, FAICD.

Independent non-executive director

Term of office

Director since 18 February 2009.

Neil is an established executive and non-executive director with experience across a range of industries. He is currently the independent Chairman of Virgin Blue Holdings Limited and a non-executive director of Seek Limited, Whitehaven Coal Limited, and Grange Resources Limited.

Neil was most recently an executive director and the CFO of Toll Holdings Limited, Australia's largest transport and logistics company, a position he held for over 10 years.

Neil holds interests in 20,910 Stapled Securities.

Transurban Board Committee membership

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

Information on directors (continued)

Geoffrey O Cosgriff BAppSc, Company Director Diploma, FIE(Aust), FAICD.
Independent non-executive director

Term of office

Director since 19 December 2000.

Geoff has extensive experience in the information technology industry and was the Managing Director of MITS Limited for 10 years. He has also held executive management roles with Melbourne and Metropolitan Board of Works, Melbourne Water Corporation and Logica Australia Pty Ltd. He is a Council Member for Leadership Victoria and is also actively engaged in a number of executive coaching and mentoring assignments.

He is a non-executive director of UXC Limited and a director of Infocos Pty Limited. He was formerly a director of Logica Australia Pty Ltd.

Geoff holds interests in 152,236 Stapled Securities.

Transurban Board Committee membership

Chairman of the Remuneration Committee and a member of the Nomination Committee.

Jeremy G A Davis AM BEc, MBA, MA, FAICD.
Independent non-executive director

Term of office

Director since 16 December 1997.

Jeremy is a Professor Emeritus of the University of New South Wales, after retiring from the Australian Graduate School of Management. He was a management consultant with the Boston Consulting Group for 10 years and is a former Director of the Australian Stock Exchange Limited. He is currently a non-executive director of Singapore Power Limited, SP AusNet and Asian Renewable Energy Management Limited. He is also a non-executive director of CHAMP Ventures Pty Ltd and AMWIN Management Pty Ltd.

Jeremy holds interests in 158,188 Stapled Securities.

Transurban Board Committee membership

Member of each of the Audit and Risk, Nomination and Remuneration Committees.

Robert J Edgar BEc (Hons), PhD, FAICD.
Independent non-executive director

Term of office

Director since 21 July 2009.

Bob retired from his position as Deputy CEO of the ANZ Banking Group in April 2009. In a 25 year career at ANZ, he also held the positions of Chief Operating Officer, Managing Director, Institutional Financial Services and Chief Economist. He remains on the Board of one of ANZ's Asian banks, Bank of Tianjin. He was previously on the Boards of AMMB Holdings Berhad and Shanghai Rural Commercial Bank.

Bob is currently a non-executive director of Nufarm Ltd, Asciano Group and Linfox Armaguard Pty Ltd. He is also Chairman of the Prince Henry's Institute of Medical Research.

Bob holds interests in 18,627 Stapled Securities.

Transurban Board Committee membership

Member of each of the Audit and Risk, Nomination and Remuneration Committees.

Information on directors (continued)

Samantha J Mostyn BA, LLB.
Independent non-executive director

Term of office

Director since 8 December 2010.

Sam has more than 15 years experience in senior management roles, including as Director of the Institute for Sustainable Solutions at the University of Sydney until November 2010. Prior to that appointment her roles included corporate affairs, culture and human resources positions at Insurance Australia Group, Optus Communications and Cable & Wireless Plc. She also held senior policy advisory positions with a previous federal government.

Sam's other Board roles include Virgin Blue Holdings Limited and Citigroup Pty Ltd, the AFL Commission, the Australian Museum Trust and the Sydney Theatre Company. She is the Chair of the Stakeholders Advisory Council of the CSIRO's Climate Adaptation Flagship, a member of the NSW Climate Change Council and serves on the advisory board of ClimateWorks Australia.

Sam holds no Stapled Securities.

Transurban Board Committee membership

Member of the Nomination Committee.

Robert R Officer BAgSc (Melb), MAgEc (New Eng), MBA, PhD (Chicago), FASSA, FSIA.
Non-independent non-executive director

Term of office

Director since 20 August 2010.

Bob is currently Professor Emeritus of the University of Melbourne. He was previously the Deputy Director and AMP professor of Finance at the Melbourne Business School, and he held a Chair at Monash University and positions at the Universities of Queensland, Chicago, Rochester, Stanford and the Wharton School at the University of Pennsylvania.

Bob is currently Chairman of Acorn Capital Ltd and JCP Investment Partners Ltd. He is on the Boards of CP2 Limited, the Transport Accident Commission, Colonial Foundation, Melbourne University Publishing Pty Ltd and Tactical Global Management Ltd. He is a past Chairman of Victorian Funds Management Corporation, Victorian WorkCover Authority, and the Personal Injury Education Foundation Ltd, and was on the Boards of the Bank of Melbourne and the Over Fifty Group.

Bob holds interests in 19,089 Stapled Securities.

Transurban Board Committee membership

Member of the Nomination Committee.

Rodney E Slater J.D., BS.

Independent non-executive director

Term of office

Director since 22 June 2009.

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

In the US, Rodney's current directorships include Kansas City Southern (railroads), Southern Development Bancorporation, and Verizon Communications Inc. He was formerly a director of Parsons Brinckerhoff, Delta Airlines Inc, and ICx Technologies Inc. He also served on Transurban's US Advisory Board until November 2008.

Rodney holds no Stapled Securities.

Transurban Board Committee membership

Member of the Nomination Committee.

Information on directors (continued)

Jennifer S Eve BA, LLB (Hons), LLM in Corporate Law.
Independent non-executive director

Term of office

Director of TIL since 18 September 2006.

Jennifer is an associate and member of the Funds and Investment Services Team within the Corporate and Commercial Practice Group at offshore law firm Appleby. She practices in the area of company and commercial law, specialising in the formation and administration of investment vehicles. Jennifer also has experience involving debt restructuring and intergroup restructuring. She is a local team member of the Segregated Accounts Portfolio Team and the Global Islamic Finance Team.

Jennifer was educated in Bermuda, Canada and the United Kingdom. She is a member of the Bar of England and Wales (non-practicing) and Bermuda.

Jennifer holds no Stapled Securities.

James M Keyes MA. (Hons).
Independent non-executive director

Term of office

Director of TIL since 18 September 2006.

James is Managing Director of Renaissance Capital. He is responsible for the Bermuda office, which he established for Renaissance in 2008. He was previously a partner at offshore law firm Appleby. He practised as a lawyer for over 15 years, specialising in mutual funds, corporate finance and securities.

James attended Oxford University in England and graduated as a Rhodes Scholar.

James holds no Stapled Securities.

Company secretaries

Amanda Street LLB (Hons), BComm.

Amanda joined Transurban in September 2008 and was appointed as Company Secretary in February 2011. Before joining Transurban, Amanda was Assistant Company Secretary at SP Ausnet and Senior Corporate Counsel at National Australia Bank. She has over 10 years of legal, company secretarial and other relevant experience. Prior to her in-house work, Amanda was a solicitor specialising in M&A work with Australian law firm Mallesons.

Stephen Byrne LLB, BEc, Dip Leg. Practice.

Stephen joined Transurban in February 2010 as General Counsel, Australia. He is responsible for all Australian legal matters. He has over 16 years of legal, company secretarial and other relevant experience, mostly within the infrastructure and chemicals sector. Stephen is an experienced manager of legal teams, having previously held General Counsel roles with Veolia Water (Australia, New Zealand) and BOC Gases (Asia Pacific, the Americas), where his work included large engineering projects, joint ventures and M&A.

Appleby Services (Bermuda) Ltd

Appleby Services (Bermuda) Ltd is a wholly owned subsidiary of the global law firm Appleby and is licensed to conduct trust business by the Bermudan Monetary Authority. Appleby Services (Bermuda) Ltd, through its corporate administration and trust services divisions, provides company secretarial services to TIL.

Meetings of directors

The number of meetings of the Boards of directors of THL, TIML and TIL held during the year ended 30 June 2011, and the number of meetings attended by each director are set out in the following tables:

Meetings of the board of directors of THL and TIML were held jointly.

	Board of Directors THL		Board of Directors TIML		Board of Directors TIL	
	Attended	Held#	Attended	Held#	Attended	Held#
Lindsay P Maxsted	10	10	10	10	3	3
David J Ryan (Resigned 12 August 2010)	3	3	3	3	1	1
Christopher J Lynch	10	10	10	10	4	4
Neil G Chatfield	10	10	10	10	*	*
Geoffrey O Cosgriff	10	10	10	10	*	*
Jeremy G A Davis	10	10	10	10	*	*
Robert J Edgar	10	10	10	10	*	*
Samantha J Mostyn (Appointed 8 December 2010)	4	4	4	4	*	*
Robert R Officer (Appointed 20 August 2010)	6	6	6	6	*	*
Rodney E Slater	10	10	10	10	*	*
Jennifer S Eve	*	*	*	*	4	4
James M Keyes	*	*	*	*	4	4

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

* = Not a member of the relevant Board

The number of meetings of each Board committee of THL, TIML and TIL held during the year ended 30 June 2011, and the number of meetings attended by each director are set out in the following table.

	Audit and Risk Committee ⁽¹⁾		Remuneration Committee ⁽²⁾		Nomination Committee ⁽³⁾		Sustainability Committee ⁽⁴⁾		Special purpose Sub- committees	
	Attended	Held#	Attended	Held#	Attended	Held#	Attended	Held#	Attended	Held#
Lindsay P Maxsted	7	7	5	*	3	3	1	1	3	3
David J Ryan (Resigned 12 August 2010)	2	2	2	2	*	*	1	1	1	1
Christopher J Lynch	7	*	11	*	3	*	1	*	3	3
Neil G Chatfield	7	7	3	*	3	3	*	*	2	2
Geoffrey O Cosgriff	2	*	12	12	3	3	*	*	*	*
Jeremy G A Davis	7	7	12	12	3	3	*	*	*	*
Robert J Edgar	5	5	8	10	3	3	1	1	*	*
Samantha J Mostyn (Appointed 8 December 2010)	*	*	3	*	2	2	*	*	*	*
Robert R Officer (Appointed 20 August 2010)	1	*	2	*	3	3	*	*	*	*
Rodney E Slater	1	*	1	*	3	3	1	1	*	*
Jennifer S Eve	*	*	*	*	*	*	*	*	*	*
James M Keyes	*	*	*	*	*	*	*	*	*	*

= Number of meetings held during the time the director held office and was a member of the committee

* = Not a member of the relevant committee

(1) - Chris Lynch, Geoffrey Cosgriff, Bob Officer and Rodney Slater were not members of the Audit and Risk Committee but attended meetings during the year.

(2) - Lindsay Maxsted, Chris Lynch, Neil Chatfield, Samantha Mostyn, Bob Officer and Rodney Slater were not members of the Remuneration Committee but attended meetings during the year. Chris Lynch was excluded from discussions involving his remuneration during meetings of the Remuneration Committee which he attended.

(3) - Chris Lynch was not a member of the Nomination Committee but attended meetings during the year.

(4) - The Sustainability Committee was disbanded on 10 August 2010 and is no longer a separate committee of the Board. Chris Lynch was not a member of the Sustainability Committee but attended the meeting during the year.

2011 REMUNERATION REPORT (AUDITED)

INTRODUCTION

The Remuneration Report, prepared in accordance with section 300A of the *Corporations Act 2001*, contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who are the 'key management personnel' (**KMP**) of the Group. The KMP include the five highest remunerated executives of the Group and Transurban Holdings Limited for the year ended 30 June 2011, and are listed in the tables below:

Senior Executives	Non-Executive Directors
<i>Name and position</i>	<i>Name</i>
Chris Lynch, Executive Director, Chief Executive Officer (CEO)	Lindsay Maxsted (<i>appointed Chairman on 12 August 2010</i>)
Brendan Bourke, ¹ Chief Operating Officer	David Ryan (<i>resigned as Chairman on 12 August 2010</i>)
Ken Daley, President, International Development	Neil Chatfield
Megan Fletcher, ¹ Group General Manager, Public Affairs	Geoff Cosgriff
Andrew Head, ¹ Group General Manager, NSW	Jeremy Davis
Samantha Hogg, ¹ Group General Manager, Corporate Services	Bob Edgar
Tom Honan, Chief Financial Officer	Samantha Mostyn (<i>appointed on 8 December 2010</i>)
Michael Kulper, President, North America	Bob Officer (<i>appointed on 20 August 2010</i>)
Elizabeth Mildwater, ¹ Group General Manager, Victoria	Rodney Slater
	Jennifer Eve (Director of TIL only)
	James Keyes (Director of TIL only)

- ¹ As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke ceased as Chief Operating Officer with effect from 28 February 2011 and Megan Fletcher ceased as Group General Manager, Public Affairs with effect from 4 February 2011. Andrew Head changed role from Group General Manager, Strategy and Development to Group General Manager, NSW, Samantha Hogg (previously Acting Group General Manager, People, Legal and Governance) was appointed as Group General Manager, Corporate Services, and Elizabeth Mildwater changed role from Group General Manager, People Legal and Governance to Group General Manager, Victoria, all with effect from 1 February 2011. Elizabeth Mildwater resigned as Company Secretary on 9 February 2011.

A comprehensive review of the Group's remuneration framework has been undertaken in light of feedback received from security holders and other stakeholders on the Group's remuneration arrangements, market expectations and regulatory developments. As a result, the Board has approved a new remuneration framework for the year ending 30 June 2012, details of which are summarised on page 23 and will be disclosed in detail in next year's Remuneration Report.

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The remuneration information contained in the Remuneration Report is presented as follows:

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

1 CHANGES TO THE REMUNERATION FRAMEWORK FOR THE YEAR ENDING 30 JUNE 2012

A NEW REMUNERATION FRAMEWORK

Following the 2010 Annual General Meeting (**AGM**), the Remuneration Committee on behalf of the Board undertook a comprehensive review of the Group's remuneration framework for Senior Executives and Senior Managers, with assistance from independent advisers Ernst & Young. Feedback received from security holders and other stakeholders, market expectations and regulatory developments were all considered as part of the review.

In undertaking the review, the Remuneration Committee sought to balance the needs and expectations of security holders and other stakeholders with business strategy considerations and the need to remunerate Senior Executives and Senior Managers appropriately in a competitive marketplace, and to focus on linking performance and reward whilst taking into account the particular challenges facing the Group.

The review led to the Remuneration Committee recommending, and the Board approving, the adoption of a new remuneration framework for Senior Executives and Senior Managers effective 1 July 2011. An overview of the new framework for Senior Executives is set out below.

OVERVIEW OF THE NEW REMUNERATION FRAMEWORK FOR SENIOR EXECUTIVES

Remuneration mix

To more closely align Senior Executives' remuneration packages with security holder return and business strategy, variable and equity based components of total target remuneration will increase in the year ending 30 June 2012. With the introduction of STI deferral (see below), Senior Executives' equity exposure will increase as a percentage of total target remuneration.

	% of total Senior Executive remuneration (annualised) (at target) - 2012		
	Fixed (TEC)	Variable (performance based)	
		STI	LTI
CEO	33.3	33.3*	33.3
Other Senior Executives	45	30*	25

*With 30% STI deferral (see below).

The transition to the desired remuneration mix will be achieved over a maximum period of three years. Any remuneration package increases will be directed to STI/STI deferral.

Short term incentive (STI)

In the year ending 30 June 2012, a mandatory 30 per cent STI deferral into securities will be introduced for Senior Executives (including the CEO). The deferral period will be three years (including a one year performance period). This component of remuneration will be subject to clawback. An example of a clawback event is misconduct or misstatement of financial results. These changes reflect security holder expectations. They will also act as a positive retention tool.

Long term incentive (LTI)

The performance measures for the LTI plan for the year ending 30 June 2012 will change to the following:

- 50 per cent relative Total Shareholder Return (**TSR**) measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150; and
- 50 per cent Free Cash Flow (**FCF**) per security which reflects the Group's focus on the maximisation of free cash to drive security holder return. The definition of FCF per security is outlined in the glossary of terms on page 44. The FCF calculation is included in note 21 of the audited financial statements.

These measures have been selected as they are meaningful for Senior Executives and reflect security holder expectations.

The treatment of unvested LTI awards (granted in the year ending 30 June 2012) on a change of control will now be subject to Board discretion.

2 REMUNERATION GOVERNANCE

BOARD AND REMUNERATION COMMITTEE RESPONSIBILITY

The Remuneration Committee assists the Board in fulfilling its responsibilities relating to the remuneration of directors, the remuneration of, and incentives for, the CEO and other Senior Executives, and remuneration practices, strategies and disclosures generally.

It is critical that the Remuneration Committee is independent of management when making decisions affecting employee remuneration. Accordingly, the Remuneration Committee comprises Non-Executive Directors, all of whom are independent. Where appropriate, members of management attend Remuneration Committee meetings by invitation; however they do not participate in formal decision making.

ENGAGEMENT OF REMUNERATION CONSULTANTS

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

Potential conflicts of interest are taken into account when remuneration consultants are selected, and their terms of engagement regulate their level of access to, and require their independence from, management.

During the year ended 30 June 2011, the Hay Group, an independent external consultant, were engaged to provide market remuneration data to assist the Remuneration Committee in making decisions regarding Senior Executive remuneration. In addition, the Remuneration Committee engaged Ernst & Young to provide market remuneration data and conduct an independent review of the Group's new remuneration framework for the year ending 30 June 2012.

3 REMUNERATION IN CONTEXT

Toll road concessions are an asset class characterised by defensive, predictable cash flows, which grow over the life of long dated concession agreements. There is high upfront capital expenditure during the construction phase of a project, which for quality assets shifts to a low cost, high margin cash generative business for the remainder of the concession life. The investment proposition for high quality toll road assets lies in providing investors with access to long dated, predictable, growing cash flows generated by the assets over the life of the concessions.

The Group is an international toll road developer and manager with interests in Australia and the US. The Group is focused on the long-term management of toll road assets at various stages of maturity to achieve the best outcomes for investors, government partners and the community.

In Australia, the Group's interests include 100 per cent ownership of CityLink in Melbourne, and the Hills M2 and Lane Cove Tunnel (control taken on 10 August 2010) in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1 per cent), the M5 (50.0 per cent), and the M7 (50.0 per cent). In North America, the Group has interests in two assets, Pocahontas 895 (75.0 per cent) and the Capital Beltway Express (67.5 per cent), which is under construction in Northern Virginia.

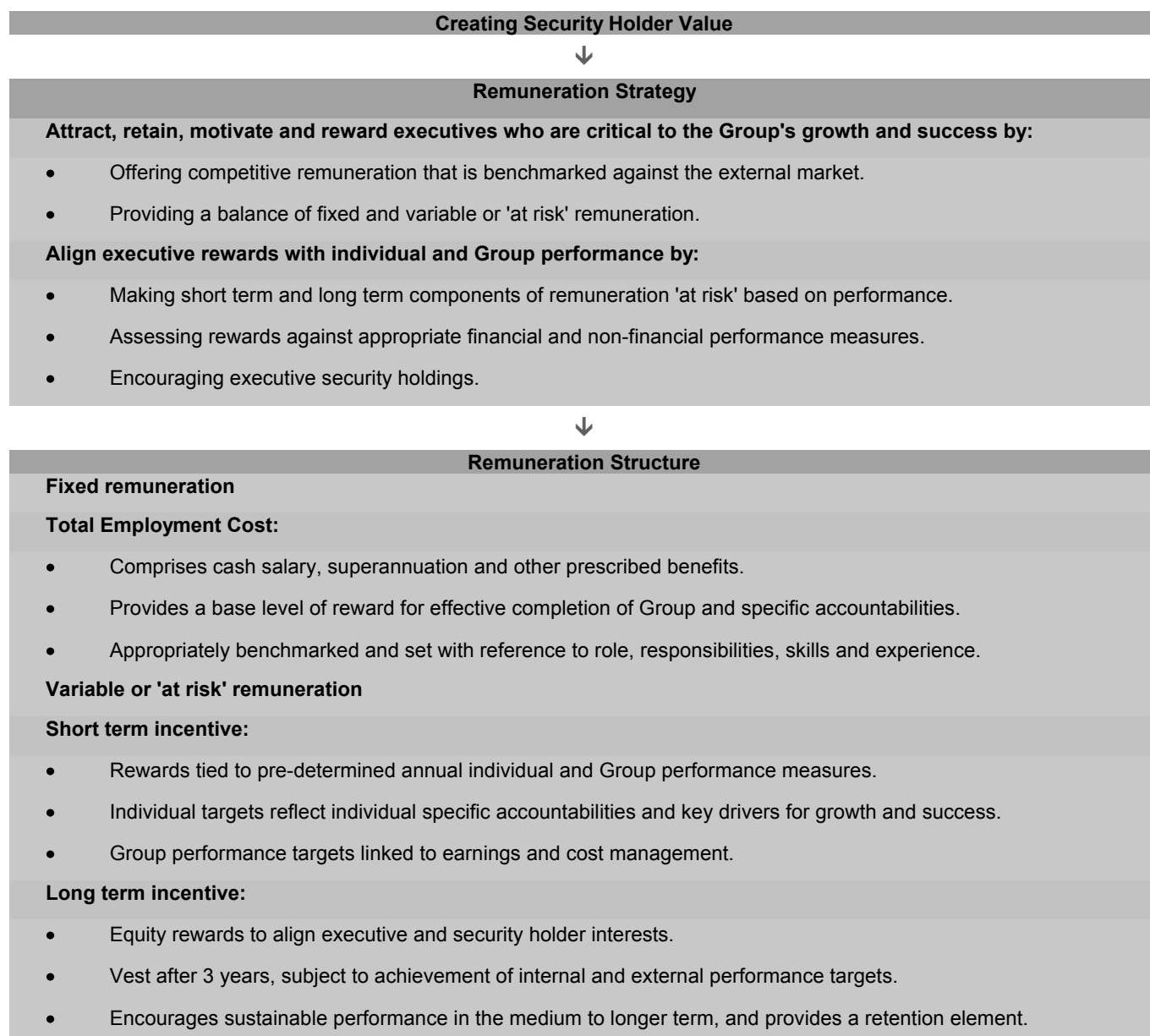
The Board and management are focused on ensuring security holder value is enhanced through the strong performance of the current portfolio of assets. In addition, development activities provide opportunities to further expand the portfolio in value accretive ways. The maximisation of free cash available to security holders over the near, medium and longer term is central to achieving this aim and the remuneration framework has been determined having regard to this.

4 CEO AND SENIOR EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

A REMUNERATION STRATEGY AND POLICY

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

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



B REMUNERATION MIX

For the year ended 30 June 2011, the remuneration of the CEO and other Senior Executives was structured as a mix of fixed remuneration and variable or 'at risk' remuneration through short term and long term incentive components.

The relative weightings of the three remuneration components for the CEO and other Senior Executives were determined by the Board (on the recommendation of the Remuneration Committee) and are set out in the table below:

Relative weightings of remuneration components¹

	% of total remuneration (annualised) (at target) - 2011		
	Fixed (TEC)	Variable (performance-based)	
		STI	LTI
CEO	34	33	33
Other Senior Executives	50	25	25

¹ These figures do not necessarily reflect the relative value derived from each of the components, which depends on actual performance against targets for the variable components (refer below). The above STI percentages are based on achieving the relevant performance targets. The above LTI percentages are based on the maximum LTI available at the time of grant to each Senior Executive if the awards granted vest at the end of the performance period. The table above reflects the percentage value of remuneration which consists of awards for each Senior Executive, apart from the CEO's LTI granted in the year ended 30 June 2011 which was granted in cash, subject to the same terms and conditions as the LTI plan offered to other Senior Executives. The CEO's LTI grant for all other years has consisted of awards.

C FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

Fixed remuneration is represented by total employment cost (TEC) comprising base salary, superannuation contributions and benefits such as salary continuance, death and disability insurance.

Fixed remuneration is not 'at risk' but is set by reference to appropriate benchmark information for an individual's responsibilities, performance, qualifications and experience.

There are no guaranteed base salary increases in any Senior Executive's employment agreement.

The Board instituted a salary freeze for the CEO and other Senior Executives for the year ended 30 June 2010. The Board determined that this freeze should continue in the year ended 30 June 2011, with three exceptions. TEC increases were given to three Senior Executives during the year. These executives changed roles as a result of the Group's organisational restructure announced on 27 January 2011. The revised remuneration was based on market remuneration data provided by the Hay Group.

How is TEC determined?

TEC levels are reviewed annually by the Remuneration Committee at the beginning of each financial year with reference to an individual's role, experience and performance, as well as relevant comparative market data. Independent remuneration consultants and surveys, internal considerations and market conditions also provide guidance. TEC is also reviewed on a change in role.

D SHORT TERM INCENTIVE (STI)

How did the STI plan operate?

The STI plan was an annual cash incentive plan linked to the attainment of specific pre-determined Group, team and individual performance measures. All permanent Group employees, including the CEO and other Senior Executives, participated in the STI plan.

For the year ended 30 June 2011, the CEO had a target STI opportunity of 100 per cent of his annualised TEC. Other Senior Executives had a target STI opportunity of 50 per cent of their annualised TEC.

The STI plan put a significant proportion of remuneration 'at risk' subject to meeting specific targets linked to the Group's business objectives. The STI plan focused participants on achieving performance targets and provided an incentive for high performance. This aligned executive interests with the Group's financial performance, as well as management principles and the Group's cultural values.

What were the STI performance measures?

STI performance measures are set at the beginning of the financial year.

There were three categories of performance measures for the CEO and other Senior Executives for the year ended 30 June 2011. They were chosen to provide a balance between corporate, individual, operational, strategic, financial and non financial aspects of performance and are described below:

STI performance measures for the year ended 30 June 2011

Performance measure and % of target award measure applies to	Target(s) for performance measure
Group performance targets 50%	To ensure that STI payments were aligned with business performance and the creation of security holder value, there were two Group performance targets: • growth in proportional EBITDA; and • cost management based on proportional net costs. Each accounted for 50% of the Group performance targets.
Shared Senior Executive Safety KPI 10%	To achieve the business objective of creating and maintaining a safety culture, the Senior Executive team shared a safety KPI. For Senior Executives based in Australia, outcomes were required in relation to: • a reduction in lost time injury frequency rates; and • achievement of AS4801 certification. For Senior Executives based in the US, outcomes were required in relation to: • maintaining zero lost time injury occurrence; • development of appropriate OHS plans; and • the completion of risk assessments.
Individual key performance indicators (KPIs) 40%	Individual KPIs are unique to the individual's area of accountability, but relate to critical business sustainability measures including: operational performance; cost reduction; customer satisfaction; project outcomes; succession planning; risk management; people management; strategy development; and business plan implementation. Individual KPIs reflect the behaviours valued by the Group, and are capable of measurement. Individuals have a clear line of sight to KPIs and are able to directly affect outcomes through their actions.

Who sets the STI performance measures?

The CEO's individual KPIs are set by the Board. All other Senior Executives' individual KPIs and the shared Senior Executive safety KPI are set by the CEO and approved by the Board. The Board sets the Group performance targets.

What is proportional EBITDA and why does Transurban use it as a performance measure?

EBITDA is a common operational performance measure used by many companies.

Proportional EBITDA is one of the primary measures that the Board uses to assess the operating performance of the Group, with an aim to maintain a focus on the Group's operating results and associated cash generation. It reflects the contribution from individual assets to the Group's operating performance and focuses on elements of the result that management can influence to drive improvements in short term earnings.

Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions. Proportional EBITDA provides a better reflection of the underlying performance of the Group's assets than statutory EBITDA. The EBITDA calculation from the statutory accounts would not include the EBITDA contribution of the M5, M7 or DRIVE (equity accounted in the statutory results), which are meaningful contributors to the Group's performance. Proportional EBITDA figures used to assess performance are included in note 2 of the audited financial statements.

The Board can decide to exclude specific items from proportional EBITDA to provide an underlying result when determining performance incentives. These items reflect one-off, non recurring items, both revenue and expenses, that will not contribute to the Group's performance in future periods. For the year ended 30 June 2011, the Board has excluded the release of the M4 maintenance provision, which would have increased the proportional EBITDA growth outcome.

Since 2009, proportional EBITDA has been used by the Group as a performance measure for STIs.

What is proportional net costs and why does Transurban use it as a performance measure?

The STI cost management performance measure is based on proportional net costs. Proportional net costs are the operating, corporate and business development costs of the Group less non-toll revenues (fees and other). The deduction of these non-toll revenues encourages and allows management to incur additional costs where these are justified by increased revenue results (e.g. toll collection activities such as video tolling and/or enforcement).

The inclusion of a cost-related performance measure reflects the fact that management has the ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and cash flow and ultimately security holder value. Proportional net costs was first used by the Group as an STI performance measure in the year ended 30 June 2010.

What were the proportional EBITDA and proportional net costs targets for the year ended 30 June 2011?

The proportional EBITDA and proportional net costs targets for the year ended 30 June 2011 were set against the previous year's results and the Group's 30 June 2011 budget.

The targets for the year ended 30 June 2011 are set out in the table below:

Proportional EBITDA result	Percentage of STI that vests [^]	Proportional net costs result
Result is less than 7% above the underlying result for the year ended 30 June 2010	0%	Actual underlying proportional net costs are over budget for the year ended 30 June 2011
Result is 7% above the underlying result for the year ended 30 June 2010	50%	Actual underlying proportional net costs on budget for the year ended 30 June 2011
Budgeted proportional EBITDA is achieved for the year ended 30 June 2011 (which was 11.4% growth on 30 June 2010 result)	100%	Actual underlying proportional net costs are 5% below budgeted underlying proportional net costs for the year ended 30 June 2011
Result is 17% above the underlying result for the year ended 30 June 2010	150%	Actual underlying proportional net costs are 15% below budgeted underlying proportional net costs for the year ended 30 June 2011

[^] straight line vesting applies between 50-100% and 100-150%

How are the varying levels of performance achievement rewarded?

STI targets are designed to differentiate and reward high performance.

50 per cent of the available STI vests for threshold performance, 100 per cent vests for on-target performance and up to an additional 50 per cent can be earned for outperformance. These targets are consistent for all of the Group's eligible employees.

Given that STI awards are contingent on performance across a range of measures, maximum STI awards can only be achieved for performance that is strong on all measures.

How is performance assessed?

Group performance targets: The performance of Senior Executives against the Group performance targets is assessed by the Board. The results are independently reviewed.

Shared Senior Executive Safety KPI: The performance against the Senior Executive team's shared KPI is assessed by the Remuneration Committee which then makes recommendations to the Board. These results are independently reviewed.

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

Once KPIs have been assessed, the Board approves STI awards. STI awards for the year ended 30 June 2011 will be paid in August 2011.

The Board believes the above methods of assessment are rigorous and transparent, and provide a balanced evaluation of the CEO and each other Senior Executive's performance.

What if a Senior Executive ceased employment?

Under the CEO's employment contract in place for the year ended 30 June 2011, if the CEO's employment was terminated by the Group other than for cause, the CEO would receive a pro-rata payment of the greater of target STI or actual performance.

Under the employment contracts in place for the year ended 30 June 2011, if a Senior Executive (excluding the CEO) ceased employment with the Group before STI targets were achieved, the Senior Executive would generally not have been entitled to receive any STI payment, unless otherwise determined by the Board.

STI performance outcomes for the year ended 30 June 2011

Group performance in respect of the proportional EBITDA and proportional net costs performance measures for the year ended 30 June 2011 was assessed by the Board as 122.7 per cent.

STI payments for the CEO and other Senior Executives for the year ended 30 June 2011 are set out in the table below:

	Actual STI awarded ²	Target STI paid	Target STI forfeited
Name	\$	%	%
Chris Lynch	2,461,680	118	-
Brendan Bourke ¹	254,163	104	-
Ken Daley	431,438	115	-
Megan Fletcher ¹	110,656	104	-
Andrew Head	323,640	117	-
Samantha Hogg	241,285	117	-
Tom Honan	587,250	117	-
Michael Kulper	573,750	115	-
Elizabeth Mildwater	319,633	115	-

1 As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke and Megan Fletcher exited the business. Their STI awards for the year ended 30 June 2011 were pro-rated and awarded based on individual performance and Group performance which was forecasted to the end of the STI performance period.

2 The threshold level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of the year ended 30 June 2011 was nil. The maximum potential value of the STI was \$6,435,000 (awarded for outperformance), excluding the exited employees. The STI payments in respect of the year ended 30 June 2011 will be paid in August 2011.

E LONG TERM INCENTIVE (LTI)

How did the LTI plan operate?

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

Participation in the LTI plan is only offered to Senior Executives, and certain other Senior Managers approved by the Board. For the year ended 30 June 2011, the CEO was offered an LTI grant equivalent to 100 per cent of his annualised TEC. Other Senior Executives were offered grants representing 50 per cent of their annualised TEC.

LTI grants are delivered in the form of Performance Awards under the Group's Performance Awards Plan (**PAP**). Each Performance Award is an entitlement to receive a fully paid Transurban security on terms and conditions determined by the Board, including the achievement of certain vesting conditions linked to performance over a three year period. If the performance measures are satisfied, the Performance Awards vest and Transurban securities will be delivered to the participant. Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, it is the Board's current intention to settle any vested Performance Awards in Transurban securities. Overseas participants were granted Performance Awards which provided for cash payments upon vesting, subject to the achievement of performance measures.

Performance Awards that do not vest after testing of the performance measures lapse.

Performance Awards are not transferable and do not carry voting or distribution rights. However securities allocated upon vesting of Performance Awards carry the same rights as other Transurban securities.

Security holder approval was not obtained at the 2010 AGM for the proposed grant of Performance Awards to the CEO. The CEO was therefore entitled under his employment agreement to receive, and did receive, a cash-based award in December 2010 subject to the terms and conditions of the LTI plan as outlined in this section.

What were the LTI performance measures?

Participants do not derive actual value from their LTI grants unless performance targets are achieved.

Performance Awards granted during the year ended 30 June 2011 are subject to the following dual performance measures over a three year performance period:

- relative TSR ranked against the S&P/ASX100 group of companies; and
- growth in proportional EBITDA.

Each condition applies to 50 per cent of the available LTI award.

What were the performance targets?

Relative TSR

For Performance Awards granted during the year ended 30 June 2011, the relative TSR component of the award will vest if the Group's relative TSR performance is at least above the median of the S&P/ASX100 group of companies at the end of the three year performance period, in accordance with the following table:

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of performance awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA

For Performance Awards granted during the year ended 30 June 2011, the proportional EBITDA component of the award that will vest will depend on the Group's percentage compound proportional EBITDA growth over the three financial year performance period (including on a part-year basis), as set out below:

Proportional EBITDA vesting schedule

% compound proportional EBITDA annual growth	% of Performance Awards that vest
7%	50%
Between 7% and 11%	Straight line vesting between 50-100%
11% or more	100%

Why were these performance measures selected?

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

The proportional EBITDA target provides evidence of the Group's growth in earnings and is linked to its overall strategic objectives. The movement in proportional EBITDA reflects Transurban's underlying business performance and its goal of long term sustainable growth in earnings from existing operations.

How will the performance targets be measured?

Relative TSR

The Group will receive an independent report that sets out the Group's TSR growth and that of each company in the peer group. A volume weighted average price of securities for the one week up to and including the test date is used in the calculation of TSRs for Transurban and the comparator group.

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

Proportional EBITDA

The Group's proportional EBITDA percentage growth rate will be calculated based on EBITDA results included in the Group's audited financial statements.

The measure may be adjusted to include or exclude the relevant EBITDA from acquisitions and divestments that may occur during the performance period, in order to ring fence performance based on the known asset portfolio at the start of the performance period. In addition, the Board may decide to exclude specific items from proportional EBITDA to provide an underlying result when determining performance incentives. These adjustments reflect one-off, non recurring items, both revenue and expenses, that will not contribute to the Group's performance in future periods. The result will be subject to Board approval.

The Board believes the above methods of assessment are rigorous and provide an appropriate assessment of the Group's performance against the performance measures.

For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements.

What if a Senior Executive ceases employment?

Under the CEO's employment contract in place for the year ended 30 June 2011, if the CEO's employment was terminated by the Company other than for cause, the CEO would receive a pro-rated Performance Award calculated from his appointment anniversary date to his termination date, vesting in accordance with the performance measures under LTI plan as at the time of grant. If the CEO ceased employment with the Group before the performance measures are tested, then he would be entitled to retain any unvested Performance Awards or cash-based awards, which would vest in accordance with the performance measures under the LTI plan as at the time of grant.

Under the terms of the employment contracts in place for the year ended 30 June 2011, if any other Senior Executives cease employment with the Group before the performance measures are tested, then their unvested Performance Awards will lapse, unless the Board determines otherwise.

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

LTIs form part of the CEO and Senior Executives' remuneration. In the event of a takeover or change of control of the Group, any unvested Performance Awards granted before 30 June 2011 will automatically vest. Performance Awards that vest following a change of control will not generally be subject to restrictions on dealing.

What was the grant, movement in the number and value of Performance Awards by Senior Executives during the year ended 30 June 2011?

These are summarised in tables below.

Performance Awards granted in the year ended 30 June 2011

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date ¹	VWAP at grant date
			\$	\$
TSR	1-Nov 10	1-Nov 13	3.23	5.31
EBITDA	1-Nov-10	1-Nov-13	4.62	5.31

¹ The fair value was calculated as at the grant date of 1 November 2010. An explanation of the pricing model used to calculate these values is set out in Note 35 to the financial statements.

Performance Awards granted in the year ended 30 June 2011

	Number of Performance Awards granted ²	Value at grant date	Maximum total value of grant yet to vest ³
Name		\$	\$
Chris Lynch ¹	-	-	-
Brendan Bourke ⁴	120,972	474,815	51,940
Ken Daley	123,441	484,506	484,506
Megan Fletcher ⁴	52,668	206,722	22,612
Andrew Head	90,523	355,303	355,303
Samantha Hogg	65,835	258,402	258,402
Tom Honan	164,587	646,004	646,004
Michael Kulper	170,433	668,950	668,950
Elizabeth Mildwater	90,523	355,303	355,303

Performance Awards lapse where the performance measures are not satisfied on testing. As the Performance Awards only vest on satisfaction of performance and service conditions which are to be tested in future financial periods, none of the Senior Executives forfeited Performance Awards during the year.

- ¹ The CEO was granted a cash-based award of 684,683 units, linked to Transurban's security price, on 23 December 2010 subject to the terms and conditions of the LTI plan offered for the year ended 30 June 2011. The vesting date, fair value at grant date and VWAP at grant date are equivalent to the information outlined in the table above. The value of this award at the grant date was \$2,687,381 and the maximum total value of the grant yet to vest is \$2,687,381.
- ² The grants made to Senior Executives constituted their full LTI entitlement for the year ended 30 June 2011 and were made on 1 November 2010 on the terms summarised above. Performance Awards vest subject to performance over the period from 1 November 2010 through to 1 November 2013.
- ³ The maximum value of the grant has been estimated based on the fair value per instrument at date of grant. The minimum total value of the grant, if the applicable performance measures are not met, is nil.
- ⁴ As part of the Group's organisational restructure, Brendan Bourke and Megan Fletcher exited the business. The Board exercised its discretion to allow Brendan Bourke and Megan Fletcher to retain a pro-rated proportion of their year ended 30 June 2011 Performance Awards (13,233 Performance Awards retained by Brendan Bourke and 5,761 Performance Awards retained by Megan Fletcher). These awards are subject to post-employment vesting, to be tested at the normal vesting date based on achievement of the performance measures. Brendan Bourke forfeited 107,739 Performance Awards. The value of the forfeited awards at the grant date was \$422,876. Megan Fletcher forfeited 46,907 Performance Awards. The value of the forfeited awards at the grant date was \$184,110.

F LEGACY LTI PLANS

The Group has a number of legacy LTI plans that are no longer offered but which have existing participants. Details of these plans are set out below:

FY2008 Performance Rights Plan (PRP) (Performance Rights for Australian and overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2007
Vesting date:	1 Nov 2010
Fair value per right at grant date:	TSR: \$3.50, Statutory EBITDA and DRIVE management fee \$5.96
Spot price at grant date:	\$7.29

Details of plan

Participants were granted Performance Rights that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures. Each Performance Right entitled the participant to one fully paid Transurban security. Performance Rights which did not vest after testing of the performance measures lapsed.

Overseas participants were granted Performance Rights which provided for cash payments upon vesting, subject to the achievement of performance measures.

Performance measures and targets

For Australian participants, the PRP had two performance measures, statutory EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

For overseas participants, the PRP had two performance measures, DRIVE management fee growth and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Rights that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Statutory EBITDA and DRIVE management fee vesting schedule

% compound statutory EBITDA annual growth	% of Performance Rights that vest
10%	50%
Between 10% and 15%	Straight line vesting between 50-100%
15% or more	100%
% compound growth of DRIVE management fee	% of Performance Rights that vest
20%	50%
Between 20% and 25%	Straight line vesting between 50-100%
25% or more	100%

Result - movements in plan for the year ended 30 June 2011

The 2008 award matured on 1 November 2010. 84.44 per cent of awards subject to the TSR performance measure vested based on the Group's ranking against the constituents of the S&P/ASX 100. 15.56 per cent of the TSR awards were forfeited. None of the awards subject to the statutory EBITDA growth or DRIVE management fee growth measures vested as the prescribed performance targets were not met. Therefore, 100 per cent of the EBITDA/DRIVE awards were forfeited.

The following Transurban securities and Performance Rights lapsed and vested during the year ended 30 June 2011 for the following KMP:

Name	Lapsed		Vested	
	Number	Value (\$)	Number	Value (\$)
B Bourke	53,653	301,999	39,204	137,215
K Daley	45,398	255,536	33,173	116,104
M Fletcher	6,438	36,237	4,704	16,465
A Head	8,584	48,319	6,273	21,954
M Kulper	44,362	249,705	32,416	113,455

FY2009 Executive Equity Plan (EEP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2008
Vesting date:	1 Nov 2011
Grant price:	\$5.22
Value per unit at grant date:	\$4.27

Details of plan

Australian participants received a grant of Transurban securities at no cost subject to disposal restrictions for three years from the grant date.

Executives based outside Australia received a grant of Performance Rights at no cost which entitles participants to receive Transurban securities which vest at the end of a three year vesting period.

Performance targets

Vesting is based on service during the three year performance period.

Movements in plan for the year ended 30 June 2011

The Board exercised its discretion in awarding 19,146 securities to Brendan Bourke, and 19,146 securities to Megan Fletcher. The value of these securities under the Plan was \$81,753 and \$81,753 respectively.

FY2009 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2008
Vesting date:	1 Nov 2011
Fair value per right at grant date:	TSR \$3.30, Proportional EBITDA \$4.27
Spot price at grant date:	\$5.22

Details of plan

Participants were granted Performance Awards that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures.

Each Performance Award entitles the participant to one fully paid Transurban security. Performance Awards which do not vest after testing of the performance measures will lapse.

The Board has discretion to award cash payments of equivalent value upon vesting.

Performance targets

The PAP has two performance measures, proportional EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

The awards are tested at the end of each year of the three year performance period. If the performance measures are satisfied for the year, one third of the awards are preserved until the vesting date. A retest is applied at the end of each subsequent year for each tranche, up to year three. At the end of the three years a cumulative test of the performance measures is applied to any unvested awards.

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA vesting schedule

% compound proportional EBITDA annual growth	% of Performance Awards that vest
5%	50%
Between 5% and 9%	Straight line vesting between 50-100%
9% or more	100%

Movements in plan for the year ended 30 June 2011

The table below sets out the performance targets achieved over the testing period, banked awards and unvested awards from each tranche which vested in the period.

Performance Measure	Number of awards banked in tranche 1	Number of awards banked in tranche 2	Number of unvested awards from tranches 1 & 2 which vested in the year	Number of awards banked in tranche 3	Number of unvested awards from tranche 3 which vested in the year	Number of awards for testing 1 Nov 2011
	\$	\$	\$		\$	\$
TSR	-	207,475	-	To be calculated 1 Nov 2011	To be calculated 1 Nov 2011	422,582
Proportional EBITDA	181,810	182,785	6,956	185,690	19,192	-

During the year ended 30 June 2011, 9,713 performance awards were forfeited by Brendan Bourke. The value of the forfeited awards was \$36,764. 3,964 performance awards were forfeited by Megan Fletcher. The value of the forfeited awards was \$15,004. The Board exercised its discretion to allow pro-rata amounts of outstanding Performance Awards to continue subject to the terms and conditions of the plan (75,752 awards for Brendan Bourke at a grant value of \$286,721; 30,920 awards for Megan Fletcher and a grant value of \$117,032).

FY2010 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan terms and conditions

Grant date:	11 Dec 2009
Vesting date:	11 Dec 2012
Fair value per right at grant date:	TSR \$3.33, Proportional EBITDA \$4.97
Spot price at grant date:	\$5.55

Details of plan

Participants were granted Performance Awards that entitle them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures.

Each Performance Award entitles the participant to one fully paid Transurban security. Performance Awards which do not vest after testing of the performance measures will lapse.

The Board has discretion to award cash payments of equivalent value upon vesting.

Performance targets

The PAP has two performance measures, proportional EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

The awards are tested at the end of the three year performance period only.

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA vesting schedule

% compound proportional EBITDA annual growth	% of Performance Awards that vest
6%	50%
Between 6% and 9%	Straight line vesting between 50-100%
9% or more	100%

Movements in plan for the year ended 30 June 2011

During the year ended 30 June 2011, 64,814 Performance Awards were forfeited by Brendan Bourke. The value of the forfeited awards was \$268,980. 28,218 Performance Awards were forfeited by Megan Fletcher. The value of the forfeited awards was \$117,105.

The Board exercised its discretion to allow pro-rata amounts of outstanding Performance Awards to continue subject to the terms and conditions of the plan (44,236 awards for Brendan Bourke at a grant value of \$183,579; 19,260 awards for Megan Fletcher at a grant value of \$79,929).

G REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

Remuneration for the years ended 30 June 2011 and 30 June 2010

	Short-term employee benefits			Post-employment benefits	Long term benefits	Termination benefits	Share based benefits ³			Total
	Cash salary and fees	Cash Bonus ¹	Non-monetary benefits ²	Super-annuation	Long service leave		2008 PRP	2009, 2010 & 2011 PAP	2009 EEP	
Executive director										
C Lynch										
2011	2,033,360	2,461,680	18,557	47,500	21,309	-	-	2,054,484	113,261	6,750,151
2010	2,030,860	2,740,000	6,049	50,000	-	-	-	1,079,488	113,261	6,019,658
Other key management personnel										
B Bourke ^{4, 5}										
2011	456,860	254,163	9,097	58,333	-	958,759	(227,067)	132,745	36,476	1,679,366
2010	687,093	432,400	6,049	49,107	13,148	-	24,800	346,315	132,046	1,690,958
D Cardiff										
2011	-	-	-	-	-	-	-	-	-	-
2010	157,544	-	-	10,420	4,443	268,637	5,425	(65,233)	(29,389)	351,847
K Daley										
2011	702,287	431,438	123,596	48,995	11,627	-	(192,133)	345,116	27,226	1,498,152
2010	706,407	1,271,200	53,677	49,004	14,168	-	-	280,674	27,226	2,402,356
M Fletcher ⁴										
2011	227,968	110,656	3,114	22,917	-	402,234	(27,246)	55,612	36,476	831,731
2010	296,196	185,050	-	24,481	11,697	-	-	95,895	27,226	640,545
A Head										
2011	541,554	323,640	6,232	24,243	25,662	-	(36,330)	218,883	27,226	1,131,110
2010	376,772	271,300	-	24,330	15,080	-	3,488	127,201	27,226	845,397
S Hogg										
2011	433,494	241,285	5,882	25,000	3,342	-	-	151,828	21,780	882,611
2010	134,569	49,500	-	11,292	-	-	-	65,449	21,780	282,590
T Honan										
2011	976,398	587,250	8,178	25,000	-	-	-	640,437	121,547	2,358,810
2010	976,396	648,250	-	25,000	-	-	-	406,064	121,547	2,177,257
M Kulper										
2011	1,017,385	573,750	8,199	9,800	19,690	-	(187,748)	554,433	34,049	2,029,558
2010	1,126,355	725,390	-	8,729	52,446	-	-	415,367	34,049	2,362,336
E Mildwater										
2011	540,797	319,633	6,311	25,000	5,419	-	-	207,150	27,226	1,131,536
2010	410,093	273,750	-	24,330	-	-	-	87,458	27,226	822,857
Total										
2011	6,930,103	5,303,495	189,166	286,788	87,049	1,360,993	(670,524)	4,360,688	445,267	18,293,025
2010	6,902,285	6,596,840	65,775	276,693	110,982	268,637	33,713	2,838,678	502,198	17,595,801

Notes:

- The amount represents cash STI payments to the Senior Executive for the year ended 30 June 2011, which will be paid in August 2011
- Non-monetary benefits include Group insurance, vehicle allowance and expatriate allowances (where relevant).
- 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 awarded under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of Performance Awards at the date of their grant has been independently determined in accordance with AASB 2. The TSR component of the Performance Awards has been valued applying a Monte-Carlo simulation to model Transurban's security price and TSR performance against the comparator group performance. The assumptions underpinning these valuations are set out in Note 35 to the financial statements.
- As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke and Megan Fletcher exited the business. Their STI payments for the year ended 30 June 2011 are detailed on page 29. The Board exercised its discretion to allow pro-rata amounts of outstanding LTI awards to continue subject to post-employment vesting, as detailed in the legacy LTI plan information at sections E and F. Their termination benefits include accrued annual leave, long service leave, payment in lieu of notice and ex-gratia payment.
- Brendan Bourke participated in the ShareLink Investment Tax Exempt Plan (receiving securities to the value of \$250) and the ShareLink Tax Deferred Plan (receiving securities to the value of \$1,500) for the year ended 30 June 2011.

H ADDITIONAL REMUNERATION INFORMATION

(I) EMPLOYEE SECURITY PLANS

The Group operates three broad employee-based security plans as described below.

ShareLink Incentive Plan

Under this plan, subject to Board approval, an allocation of securities or cash payments may be made to eligible employees (excluding the CEO but including other Senior Executives) in recognition of the Group's prior year performance.

Eligible employees received a grant of 100 securities at no cost to them on 23 February 2011. Eligible employees in the US received a cash payment of equivalent value in lieu of securities.

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

ShareLink Investment Tax Exempt Plan and ShareLink Investment Tax Deferred Plan

The ShareLink Investment Tax Exempt Plan provides eligible employees the opportunity to invest up to \$1,000 per annum in Transurban securities, on a tax-exempt basis. Participants contribute up to \$500 by way of salary sacrifice, which is matched by the Group dollar for dollar. Acquisitions are made quarterly in September, December, March and June each year.

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

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

(II) DEALINGS IN SECURITIES

In accordance with the Group's Dealing in Securities Policy, employees who have awards under an LTI plan may not hedge against those awards.

Employees and Directors are not permitted to obtain margin loans using Transurban securities (either solely or as part of a portfolio) as security for loans.

(III) SERVICE AGREEMENTS

The remuneration and other terms of employment for the CEO and other Senior Executives are formalised in service agreements which have no specified term. Each of these agreements provides for access to performance-related STIs and other prescribed benefits.

The CEO's contract includes an entitlement to participate in an LTI plan (or equivalent cash plan). Other Senior Executives are eligible to participate in the LTI plan (or equivalent cash plans for those executives located outside Australia).

Some key aspects of the agreements in place in the year ended 30 June 2011 are outlined below:

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

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

5 LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The remuneration of the CEO and other Senior Executives is linked to the Group's performance through the use of targets based on the operating performance of the business for both short and long term incentives.

A GROUP PERFORMANCE AND STI

For the year ended 30 June 2011, 25 per cent of Senior Executive STIs were determined with reference to proportional EBITDA and 25 per cent with reference to proportional net costs as discussed on page 27.

Proportional EBITDA

The underlying proportional EBITDA result for the year ended 30 June 2011 was \$718.7 million, a 13.1 per cent increase from the prior year result. This result exceeded the Group's budget by 1.4 per cent, allowing the payment of 116.9 per cent of STIs attributable to proportional EBITDA. The proportional EBITDA result was driven by the Group's continued focus on cost control and the performance of the asset portfolio, characterised by strong traffic volumes on all Australian assets, particularly Melbourne's CityLink following the completion of the Southern Link Upgrade.

Refer to the graph over the following page which outlines the Group's proportional EBITDA results over the five-year period from 1 July 2006 to 30 June 2011.

Proportional net costs

The underlying proportional net costs result for the year ended 30 June 2011 was \$172.3 million, a 1.2 per cent improvement from the prior year result. This result was below the Group's budget by 9.3 per cent, resulting in the payment of 128.6 per cent of STIs attributable to proportional net costs. As with proportional EBITDA, the Group's continued focus on cost management resulted in a decrease in the cost base across operational, corporate and business development costs. A number of value initiatives implemented also contributed to the cost reductions.

Safety

For the year ended 30 June 2011, the safety performance measure resulted in the payment of 150 per cent of the eligible STI for Senior Executives based in Australia, and 133 per cent for the eligible STI for Senior Executives based in the US. The safety KPI target included several components as discussed on page 27 of which a reduction in lost time injury frequency rates was one element. In the year ended 30 June 2011, lost time injury frequency rates decreased from 3.64 to 1.17.

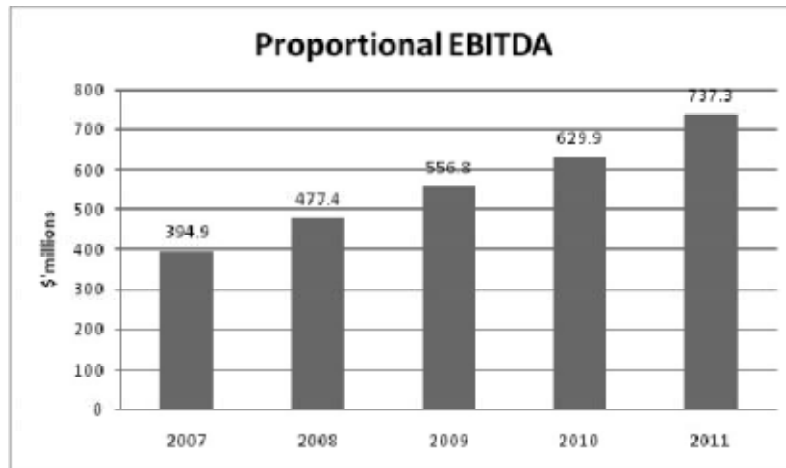
B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2011, LTIs were linked to proportional EBITDA and relative TSR. The performance targets for the current plans are outlined on pages 30 - 31.

Proportional EBITDA

The performance target for proportional EBITDA of between 7 per cent and 11 per cent compound growth was considered an appropriate target in the current economic climate and for the anticipated level of organic growth in a mature toll road portfolio. Ring fencing arrangements mean that only the existing portfolio of assets contribute to the calculation.

In general, LTI targets have been based on cumulative performance in relation to proportional EBITDA over preceding years. The following graph shows the growth in proportional EBITDA from 1 July 2006. This growth is driven by increased traffic volumes and revenue collection processes and more specifically cost control that has been a focus of the Group since 2008.



1. The result for the year ended 30 June 2010 includes the M4 until 15 February 2010 when the concession deed ended and includes Lane Cove Tunnel from 10 August 2010.

The table below illustrates the Group's annual compound growth for the relevant non-market measure of each plan:

LTI plan	Group compound growth as at 30 June 2011
Performance Awards Plan 2009	8.2%
Performance Awards Plan 2010	10.2%
Performance Awards Plan 2011	15.2%

TSR performance

The table below summarises the relative TSR performance over the performance period to date in respect of unvested LTIs

Long term incentive plan	Group TSR growth from start of performance period to 30 June 2011	Transurban's indicative percentile ranking compared to comparator group
Performance Awards Plan 2009	13.87%	50.00%
Performance Awards Plan 2010	3.12%	48.84%
Performance Awards Plan 2011	2.81%	60.44%

Distributions paid over the past five financial years are summarised in the table below:

Amount (cents)	Ex date	Payment date
14.00	24 Jun 2011	11 Aug 2011
13.00	23 Dec 2010	15 Feb 2011
12.00	24 Jun 2010	27 Aug 2010
12.00	23 Dec 2009	26 Feb 2010
11.00	24 Jun 2009	28 Aug 2009
11.00	23 Dec 2008	27 Feb 2009
29.00	24 Jun 2008 *	29 Aug 2008
28.00	21 Dec 2007 *	27 Feb 2008
27.50	29 Jun 2007 *	27 Aug 2007
26.50	22 Dec 2006 *	28 Feb 2007
25.50	26 Jun 2006 *	25 Aug 2006

* Distributions made under a previous distribution policy no longer applied by the Group.

6 NON-EXECUTIVE DIRECTOR REMUNERATION

A REMUNERATION POLICY

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

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

B REMUNERATION ARRANGEMENTS

Maximum aggregate remuneration

The amount of aggregate remuneration that may be paid to Non-Executive Directors in any year is capped at a level approved by security holders. The current aggregate fee pool of \$2,400,000 per year (inclusive of superannuation contributions) was approved by security holders at the 2010 AGM. No change to this amount is proposed for the year ending 30 June 2012.

The aggregate fee pool and the manner in which it is apportioned amongst Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board. In conducting the review, the Remuneration Committee takes market benchmarking advice from independent remuneration consultants.

2011 Non-Executive Director fees

There was no increase in Non-Executive Directors fees during the year ended 30 June 2011. Non-Executive Director fees were last increased in January 2010.

Current base (Director) fees and Committee¹ fees per year are set out below:

	Chair fee \$	Member fee \$
Board	455,000	170,000
Audit and Risk Committee	40,000	20,000
Nomination Committee	10,000	10,000
Remuneration Committee	25,000	20,000

¹ The Sustainability Committee was disbanded on 11 August 2010 and is no longer a separate Committee of the Board. The Chair fee of \$25,000 per year and the member fee of \$15,000 per year ceased on 11 August 2010.

The Chairman of the Board does not receive any additional fees for his Committee responsibilities.

Non-Executive Directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during the year ended 30 June 2011.

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.

Retirement benefits

In September 2005, the Board resolved to discontinue previously provided retirement benefits for Non-Executive Directors with effect from 30 September 2005. The value of benefits accrued up to this date attracts interest at the statutory fringe benefits rate. Accrued 'frozen' retirement benefits plus interest will be paid to Geoff Cosgriff and Jeremy Davis on their retirement from the Board. No other current Non-Executive Directors are entitled to any retirement benefits.

The following table details the retirement benefit amounts provided and expensed in the years ended 30 June 2011 and 30 June 2010.

	2011 financial year \$	2010 financial year \$
Accrued – Geoff Cosgriff	16,301	15,210
Accrued – Jeremy Davis	27,155	25,338

No retirement benefits were paid out in the current year (2010: \$nil).

ShareLink Investment Tax Deferred Plan

Under the ShareLink Investment Tax Deferred Plan, Non-Executive Directors are able to sacrifice up to 50 per cent of their pre-tax fees to acquire up to \$5,000 of Transurban securities per annum through a tax deferred arrangement.

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-Executive Directors' remuneration for the years ended 30 June 2011 and 30 June 2010 are set out below:

	Short-term benefits	Post-employment benefits		Total
	Fees	Superannuation contributions ¹	Retirement benefits ²	
Current Non-Executive Directors				
Lindsay Maxsted (Appointed Chairman 12 August 2010)				
2011	394,593	35,513	-	430,106
2010	194,826	17,534	-	212,360
Neil Chatfield				
2011	199,828	17,985	-	217,813
2010	167,818	15,104	-	182,922
Geoff Cosgriff				
2011	188,153	16,934	16,301	221,388
2010	171,880	15,469	15,210	202,559
Jeremy Davis				
2011	201,920	27,750	27,155	256,825
2010	175,084	22,500	25,338	222,922
Bob Edgar				
2011	196,552	17,690	-	214,242
2010	155,739	14,016	-	169,755
Rodney Slater				
2011	155,268	-	-	155,268
2010	125,975	10,932	-	136,907
Bob Officer (Appointed 20 August 2010)				
2011	141,066	12,696	-	153,762
2010	-	-	-	-
Samantha Mostyn (Appointed 8 December 2010)				
2011	93,996	8,460	-	102,456
2010	-	-	-	-
Jennifer Eve				
2011	91,484	-	-	91,484
2010	77,315	-	-	77,315
James Keyes				
2011	34,984	-	-	34,984
2010	39,597	-	-	39,597
Former Non-Executive Directors				
David Ryan (Resigned 12 August 2010)				
2011	49,199	4,428	-	53,627
2010	401,546	36,139	-	437,685
Total				
2011	1,747,043	141,456	43,456	1,931,955
2010	1,509,780	131,694	40,548	1,682,022

1 Superannuation contributions made on behalf of non-executive directors to satisfy the Group's obligations under applicable Superannuation Guarantee legislation.

2 Amounts provided for by the Group during the financial year in relation to the contractual retirement benefits which the Non-Executive Director will be entitled to upon retirement from office.

7 GLOSSARY OF TERMS

Term	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Free Cash Flow (FCF) per security	Within Transurban, FCF per security is defined as: • Group's cash flow from operating activities • Less: Cash flows from operating activities of non-100 per cent owned controlled assets • Add Back: Maintenance Capital Expenditure for 100 per cent owned assets • Less: Accounting charge for maintenance provision for the year • Less: Actual tag expenditure in 100 per cent owned assets • Add: Dividends received from non-100 per cent owned assets • Divided by: Weighted average of securities issued.
Key Management Personnel (KMP)	Those persons having authority and responsibility for planning, directing and controlling the major activities of the Group and Transurban Holdings Limited, directly or indirectly, including any Director (whether executive or otherwise), as listed on page 22.
Long term incentive (LTI)	An 'at risk' component of executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance measures over a performance period of three years.
Proportional EBITDA	EBITDA calculated based on percentage of Transurban asset ownership as follows: CityLink (100 per cent), Hills M2 (100 per cent), LCT (100 per cent), Roam (100 per cent), Tollaust (100 per cent), M1 Eastern Distributor (75.1 per cent), M5 (50 per cent), M7 (50 per cent) and DRIVE (75 per cent including 67.5 per cent of Capital Beltway Express and 75 per cent of Pocahontas 895). The proportional EBITDA result is included in the audited financial statements.
Proportional net costs	Net costs include the operating, corporate and business development costs of the Group less non-toll revenues (fees and other).
Relative total shareholder return (TSR)	TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income which was reinvested on a pre-tax basis. Relative TSR measures the return on investment of a company relative to a peer group of companies. Relative TSR is one of the performance measures in determining the vesting of Transurban LTI program.
Senior Executives	The executives who are the KMP of the Group (including the CEO), as listed on page 22.
Short term incentive (STI)	An 'at risk' component of executive remuneration under which a cash reward may be payable based on achievement of individual and Group performance measures.
Statutory EBITDA	100% of the EBITDA from controlled entities (CityLink, Hills M2, LCT, M1 Eastern Distributor, Roam, Tollaust) regardless of Transurban's ownership percentage. It excludes the EBITDA contribution from non-controlled interests (M5 Motorway, Westlink M7 and DRIVE).
Total employment cost (TEC)	Base salary and other benefits including superannuation paid to an executive.

Non-audit services

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

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

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

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

	30 June 2011 \$	30 June 2010 \$
Amounts received or due and receivable by PricewaterhouseCoopers		
<i>Audit and Other Assurance Services</i>		
- Audit and review of financial reports PricewaterhouseCoopers Australia	1,091,000	1,022,000
- Other assurance services PricewaterhouseCoopers Australia	<u>69,887</u>	<u>474,802</u>
Total remuneration for PricewaterhouseCoopers	<u>1,160,887</u>	<u>1,496,802</u>
Amounts received or due and receivable by other audit firms for:		
<i>Audit services</i>		
Audit and review of financial report	-	88,400
<i>Other services</i>		
- Other assurance services	-	296,550
- Taxation services	<u>-</u>	<u>95,847</u>
Total remuneration for other audit firms	<u>-</u>	<u>480,797</u>
Total auditors remuneration	<u>1,160,887</u>	<u>1,977,599</u>

The prior year audit fee relates to the amount due to Ernst & Young who were the auditors of Statewide Roads Limited. Other assurance and tax fees are for other services Ernst and Young were engaged for throughout the Group.

Indemnification and insurance

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

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

This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the Insurer, the Limit of Liability and the Premium paid for this policy.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 47.

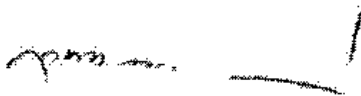
Rounding of amounts

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

Auditor

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

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



Lindsay P Maxsted
Director



Christopher J Lynch
Director

Melbourne
3 August 2011

PricewaterhouseCoopers
ABN 52 780 433 757

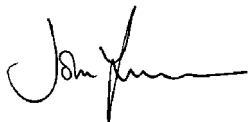
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
website: www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holdings Limited and the Transurban Holdings Limited Group for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

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



John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
3 August 2011

Transurban Holdings Limited ABN 86 098 143 429

Annual financial report - 30 June 2011

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

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

Level 3
505 Little Collins Street
Melbourne Victoria 3000

The financial report was authorised for issue by the directors on 3 August 2011. The Group has the power to amend and reissue the financial report.

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

Transurban Holdings Limited
Consolidated income statement
For the year ended 30 June 2011

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Revenue			
Toll, fee and other road revenue	3	799,217	751,107
Construction revenue	3	220,015	46,822
Business development and other revenue	3	<u>17,284</u>	<u>19,240</u>
		1,036,516	817,169
 Road operating costs		(160,396)	(179,312)
Corporate costs		(39,117)	(44,742)
Business development costs		(13,070)	(18,830)
Construction costs		<u>(220,015)</u>	<u>(46,822)</u>
		(432,598)	(289,706)
 Profit before depreciation and amortisation, net finance costs, equity accounted investments and tax		<u>603,918</u>	<u>527,463</u>
 Depreciation and amortisation expense	4	(289,435)	(305,051)
 Finance income		270,757	280,644
Finance costs		<u>(456,270)</u>	<u>(456,964)</u>
Net finance costs	5	<u>(185,513)</u>	<u>(176,320)</u>
 Share of net (losses) of equity accounted investments	9	<u>(20,198)</u>	<u>(20,549)</u>
 Profit before income tax		108,772	25,543
 Income tax benefit	6	<u>9,386</u>	<u>34,062</u>
 Profit for the year		<u>118,158</u>	<u>59,605</u>
 Profit is attributable to:			
Ordinary equity holders of the stapled group		112,467	59,418
Non-controlling interests		<u>5,691</u>	<u>187</u>
		<u>118,158</u>	<u>59,605</u>
 Earnings per security attributable to ordinary equity holders of the stapled group:		Cents	Cents
Basic earnings per stapled security	33	7.8	4.6
Diluted earnings per stapled security	33	7.8	4.6

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

Transurban Holdings Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Profit for the year	118,158	59,605
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	(17,216)	22,026
Exchange differences on translation of foreign operations, net of tax	(7,613)	(1,780)
Other comprehensive income for the year, net of tax	<u>(24,829)</u>	<u>20,246</u>
Total comprehensive income for the year	<u>93,329</u>	<u>79,851</u>
Total comprehensive income for the year is attributable to:		
Owners of Transurban Holdings Limited	110,722	133,269
Non-controlling interests	<u>(17,393)</u>	<u>(53,418)</u>
	<u>93,329</u>	<u>79,851</u>

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

Transurban Holdings Limited
Consolidated balance sheet
As at 30 June 2011

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	411,880	681,259
Trade and other receivables	8	217,560	205,607
Derivative financial instruments	11	1,065	271
Total current assets		<u>630,505</u>	<u>887,137</u>
Non-current assets			
Equity accounted investments	9	524,834	599,459
Term loan notes	10	724,225	678,044
Derivative financial instruments	11	55,238	79,959
Property, plant and equipment	12	177,548	146,053
Deferred tax assets	13	12,899	12,051
Intangible assets	14	8,278,281	7,678,619
Total non-current assets		<u>9,773,025</u>	<u>9,194,185</u>
Total assets		<u>10,403,530</u>	<u>10,081,322</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	221,363	202,354
Borrowings	16	202,870	35,604
Derivative financial instruments	11	136,431	2,822
Current tax liabilities		13,706	17,779
Provisions	17	296,586	293,569
Other liabilities	18	89,622	78,035
Total current liabilities		<u>960,578</u>	<u>630,163</u>
Non-current liabilities			
Borrowings	16	4,035,817	4,005,010
Deferred tax liabilities	13	843,846	901,462
Provisions	17	262,573	181,612
Derivative financial instruments	11	255,711	141,030
Other liabilities	18	52,654	45,536
Total non-current liabilities		<u>5,450,601</u>	<u>5,274,650</u>
Total liabilities		<u>6,411,179</u>	<u>5,904,813</u>
Net assets		<u>3,992,351</u>	<u>4,176,509</u>
EQUITY			
Contributed equity	19	7,772,117	7,656,383
Reserves	20	26,461	52,594
(Accumulated losses)	20	(4,085,426)	(3,836,959)
Non-controlling interest - Transurban International Limited		104,041	118,197
Non-controlling interests		<u>175,158</u>	<u>186,294</u>
Total equity		<u>3,992,351</u>	<u>4,176,509</u>

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

Transurban Holdings Limited
Consolidated statement of changes in equity
For the year ended 30 June 2011

		Attributable to members of Transurban Holdings Limited					
	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2009		7,106,243	12,230	(3,605,921)	3,512,552	328,584	3,841,136
Comprehensive income							
Profit (loss) for the year	20	-	-	93,528	93,528	(33,923)	59,605
Other comprehensive income	20	-	39,741	-	39,741	(19,495)	20,246
Total comprehensive income		-	39,741	93,528	133,269	(53,418)	79,851
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs	19	482,665	-	-	482,665	47,648	530,313
Treasury securities	19	7,978	-	-	7,978	459	8,437
Distribution reinvestment plan	19	59,497	-	-	59,497	5,884	65,381
Distributions provided or paid	20	-	-	(324,566)	(324,566)	-	(324,566)
Dividends provided for or paid to non-controlling interest in subsidiaries		-	-	-	-	(25,329)	(25,329)
Change in value of share-based payment reserve	20	-	623	-	623	663	1,286
		<u>550,140</u>	<u>623</u>	<u>(324,566)</u>	<u>226,197</u>	<u>29,325</u>	<u>255,522</u>
Balance at 30 June 2010		7,656,383	52,594	(3,836,959)	3,872,018	304,491	4,176,509
Balance at 1 July 2010		7,656,383	52,594	(3,836,959)	3,872,018	304,491	4,176,509
Comprehensive income							
Profit (loss) for the year	20	-	-	140,915	140,915	(22,757)	118,158
Other comprehensive income	20	-	(30,193)	-	(30,193)	5,364	(24,829)
Total comprehensive income		-	(30,193)	140,915	110,722	(17,393)	93,329
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	19	-	-	-	-	-	-
Treasury securities	19	91	-	-	91	12	103
Distribution reinvestment plan	19	115,831	-	-	115,831	8,719	124,550
Distribution provided for or paid	20	-	-	(389,463)	(389,463)	-	(389,463)
Distribution provided for or paid to non-controlling interest in subsidiaries		-	-	-	-	(17,226)	(17,226)
Change in value of share-based payment reserve	20	(188)	4,060	81	3,953	596	4,549
		<u>115,734</u>	<u>4,060</u>	<u>(389,382)</u>	<u>(269,588)</u>	<u>(7,899)</u>	<u>(277,487)</u>
Balance at 30 June 2011		7,772,117	26,461	(4,085,426)	3,713,152	279,199	3,992,351

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

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

Transurban Holdings Limited
Consolidated statement of cash flows
For the year ended 30 June 2011

		30 June 2011 \$'000	30 June 2010 \$'000
Notes			
Cash flows from operating activities			
		912,781	857,082
	Receipts from customers (inclusive of GST)		
	Payments to suppliers and employees (inclusive of GST)	(338,579)	(308,736)
	Payments for maintenance of intangible assets	(18,429)	(22,396)
	Other revenue	24,869	19,892
	Interest received	217,598	196,486
	Interest paid	(380,900)	(347,945)
	Income taxes paid	(42,649)	(60,997)
	Net cash inflow from operating activities	374,691	333,386
31			
Cash flows from investing activities			
	Payments for equity accounted investments	(29,356)	(24,804)
	Payments for intangible assets	(797,733)	(56,059)
	Payments for property, plant and equipment	(36,617)	(46,829)
	Payment for settlement of CityLink concession notes	-	(61,795)
	Distributions received from equity investments	41,000	36,500
	Net cash (outflow) from investing activities	(822,706)	(152,987)
Cash flows from financing activities			
	Proceeds from issues of stapled securities, net of costs	-	530,929
	Proceeds from sale of treasury securities, net of costs	103	4,540
	Proceeds from borrowings, net of costs	1,067,641	1,177,477
	Repayment of borrowings	(639,130)	(1,154,033)
	Distributions paid to Group's security holders	(232,577)	(230,451)
	Distributions paid to non-controlling interests	(15,542)	(28,158)
	Net cash inflow from financing activities	180,495	300,304
21			
Net (decrease) increase in cash and cash equivalents			
	Cash and cash equivalents at beginning of year	681,259	199,805
	Effects of exchange rate changes on cash and cash equivalents	(1,859)	751
	Cash and cash equivalents at end of year	411,880	681,259
7			

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

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1 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

The Group's current liabilities exceed its current assets by \$330.1 million as at 30 June 2011. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal operations, as the Group is trading profitably and has continually been able to refinance maturing debt. In addition, at 30 June 2011 the Group has available a total of \$410.8 million of unused working capital facilities.

Where necessary, comparatives have been reclassified for consistency with current year disclosures.

Compliance with IFRS

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

Early adoption of standards

The Group has not elected to adopt any new accounting standard early.

Historical cost convention

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

Rounding of amounts

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

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Associates and joint ventures

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

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

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

Application of UIG 1013 Pre-date of Transition Stapling Arrangements and AASB Interpretation 1002 Post-date of Transition Stapling Arrangements

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

Changes in ownership interest

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

(c) Segment reporting

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

(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Foreign operations

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

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

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

- all resulting exchange differences are recognised in other comprehensive income.

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

(e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

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

(f) Income tax

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Investment allowances

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

Tax consolidation legislation

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

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

(g) Leases

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

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

(h) Business combinations

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

(i) Impairment of assets

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

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

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

(k) Investments and other financial assets

Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An impairment allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the impairment allowance is recognised in the income statement.

Held-to-maturity investments (term loan notes)

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

Available-for-sale financial assets

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

Recognition and derecognition

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

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

Subsequent measurement

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

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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

Impairment

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

(l) Derivatives and hedging activities

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

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

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

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

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.
- *Cash flow hedges*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

1 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

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

- *Net investment hedges*

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

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

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

- *Derivatives that do not qualify for hedge accounting*

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

(m) Property, plant and equipment

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

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

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

Depreciation

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

Impairment

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

(n) Intangible assets

Concession Assets

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

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

1 Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(o) Financial liabilities

Trade and other payables

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

Concession and promissory notes

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

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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 date.

(q) Borrowing costs

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

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

(r) Provisions

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

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

1 Summary of significant accounting policies (continued)

(r) Provisions (continued)

Provision for maintenance

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

Provision for distribution

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

(s) Employee benefits

Short-term obligations

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

Long-term employee benefit obligations

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

Equity-based compensation benefits

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

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

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

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

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

Superannuation

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

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

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

Termination benefits

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

(t) Contributed equity

Stapled securities are classified as equity.

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

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

(u) Parent entity financial information

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

Investments in subsidiaries and associates

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

Tax consolidation legislation

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

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

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

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

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

(v) Goods and Services Tax (GST)

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

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

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

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 July 2013 but is available for early adoption. Management are in the process of assessing the impact on financial assets but do not believe this will be significant.

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

(ii) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised *AASB 124 Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 July 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Transurban Holdings Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Group.

(iv) *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 July 2011/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2011. Management continue to assess the impact of AASB 2010-3 and AASB 2010-4 and does not expect that any adjustments will be necessary as the result of applying the revised rules.

(v) *AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to *AASB 7 Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures.

2 Segment information

Description of segments

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

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

The following assets are included in the operating segments:

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

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 USA segment does not meet the quantitative thresholds to be reported as an operating segment in accordance with AASB 8. However management have concluded that this segment should be reported as it is closely monitored as an emerging market with development opportunities.

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.

2 Segment information (continued)

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 excludes the impact of interest income and expense which have been presented by segment where applicable. Interest income and expense are allocated across segments where the charges are related specifically to the assets. Otherwise they have been allocated to the Corporate function.

The concession to toll the M4 ended on 15 February 2010 and has been disclosed as an expired concession for segment reporting purposes in the prior year.

The segment information provided to the Executive Committee is presented on a proportional basis. The information for the reportable segments for the year ended 30 June 2011 and 30 June 2010 is as follows:

	Victoria		New South Wales					USA				Corporate	Total
30 June 2011	CityLink 100.0%	Hills M2 100.0%	Lane Cove M1 Tunnel 100.0%	Eastern Distributor 75.1%	M5 50.0%	M7 50.0%	Roam & Tollaustr 100.0%	Total NSW	Pocahontas 895 75.0%	Capital Beltway 67.5%	Other Transurban DRIVE 75.0%	Total DRIVE	
\$'000													
Toll revenue	434,581	145,728	51,718	69,170	83,730	95,291	-	445,637	10,818	-	-	10,818	891,036
Fee and other revenue	42,026	2,019	1,310	200	5,405	1,252	22,348	32,534	19	-	-	19	74,577
Total revenue	476,607	147,747	53,028	69,370	89,135	96,543	22,348	478,171	10,837	-	-	10,837	965,613
Underlying proportional EBITDA	382,069	119,739	29,807	52,382	75,171	74,658	8,522	360,279	6,321	-	(4,114)	2,207	718,684
One off items	-	-	-	-	-	-	-	-	-	-	-	-	-
Proportional EBITDA	382,069	119,739	29,807	52,382	75,171	74,658	8,522	360,279	6,321	-	(4,114)	2,207	718,684
Interest revenue	6,573	2,096	680	128,133	840	1,987	629	134,365	59	1,595	-	1,654	89,980
Interest expense	(83,255)	(41,012)	(17,815)	(124,189)	(20,508)	(130,214)	(2)	(333,740)	(18,775)	-	-	(18,775)	(584,024)
Depreciation and amortisation	(145,329)	(63,847)	(21,867)	(38,980)	(44,086)	(34,201)	(1,518)	(204,499)	(7,750)	-	-	(7,750)	(362,385)
Proportional profit (loss) before tax	160,058	16,976	(9,195)	17,346	11,417	(87,770)	7,631	(43,595)	(20,145)	1,595	(4,114)	(22,664)	23,472
Income tax benefit (expense)	(11,076)	14,537	(757)	(19,085)	(15,274)	17,534	(2,279)	(5,324)	10,097	-	(3,774)	6,323	34,430
Proportional net profit (loss)	148,982	31,513	(9,952)	(1,739)	(3,857)	(70,236)	5,352	(48,919)	(10,048)	1,595	(7,888)	(16,341)	47,825

2 Segment information (continued)

	Victoria	New South Wales Continuing Portfolio				USA				Corporate	Expired concession	Total
		Total New South Wales Continuing Portfolio				Total Transurban DRIVE				Total Continuing Portfolio		
		Hills M2 100.0%	M1 Eastern Distributor 75.1%	M5 50.0%	M7 50.0%	Roam & Tollaustr 100.0%	Pocahontas 895 75.0%	Capital Beltway 67.5%	Other Transurban DRIVE 75.0%			
30 June 2010	CityLink 100.0%									100.0%	M4 50.61%	
\$'000												
Toll revenue	389,874	141,466	61,763	81,272	87,733	-	11,756	-	-	-	35,836	809,700
Fee and other revenue	38,563	496	156	6,135	1,105	23,499	51	-	-	(1,445)	2,046	70,606
Total revenue	428,437	141,962	61,919	87,407	88,838	23,499	11,807	-	-	11,807	37,882	880,306
Underlying proportional EBITDA	328,333	112,743	43,837	74,743	69,503	3,783	4,853	-	(4,373)	480	28,428	635,351
Once off items	-	-	-	-	-	-	-	-	-	(5,409)	-	(5,409)
Proportional EBITDA	328,333	112,743	43,837	74,743	69,503	3,783	4,853	-	(4,373)	480	28,428	629,942
Interest revenue	2,753	38,973	116,451	-	-	749	87	3,513	-	3,600	368	245,139
Interest expense	(75,689)	(67,608)	(122,696)	(17,091)	(117,159)	-	(20,492)	-	-	(146,517)	(1,842)	(569,094)
Depreciation and amortisation	(130,080)	(64,420)	(38,980)	(44,423)	(34,035)	(2,257)	(8,478)	-	-	(16,651)	(20,112)	(359,436)
Proportional profit (loss) before tax	125,317	19,688	(1,388)	13,229	(81,691)	2,275	(24,030)	3,513	(4,373)	(112,831)	6,842	(53,449)
Income tax benefit (expense)	1,152	5,296	(16,756)	(15,938)	74,625	(685)	8,330	-	(1,280)	56,625	(3,133)	108,236
Proportional net profit (loss)	126,469	24,984	(18,144)	(2,709)	(7,066)	1,590	(15,700)	3,513	(5,653)	(56,206)	3,709	54,787

2 Segment information (continued)

Other segment information - Proportional income statement

Proportional basis of presenting results

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

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

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

Segment revenue

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

Segment revenue reconciles to total statutory revenue as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Total segment revenue (proportional)	965,613	880,306
Add: Revenue attributable to non-controlling interests	25,682	57,499
Less: Revenue of non-controlled assets	(196,515)	(188,052)
Construction revenue	220,015	46,822
Business development revenue	16,255	18,447
Other	5,466	2,147
Total revenue (note 3)	1,036,516	817,169

Interest revenue

Interest revenue is earned through Infrastructure Bonds, bank interest revenue and term loan note interest received.

Interest revenue reconciles to statutory finance income as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Total segment interest revenue (proportional)	232,572	245,139
Add: Interest revenue attributable to non-controlling interests	42,672	38,969
Add: Foreign exchange gains	-	137
Less: Interest revenue of non-controlled assets	(4,487)	(3,601)
Total finance income (note 5)	270,757	280,644

2 Segment information (continued)

Reconciliation of proportional EBITDA to statutory profit (loss) for the year

Proportional EBITDA reconciles to statutory net profit (loss) for the year as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Proportional EBITDA	737,309	629,942
Add: Proportional EBITDA attributable to non-controlling interests	18,645	42,247
Less: Proportional EBITDA of M5	(75,171)	(74,743)
Less: Proportional EBITDA of M7	(74,658)	(69,503)
Less: Proportional EBITDA of Pocahontas	(6,321)	(4,853)
Less: Proportional EBITDA of DRIVE	4,114	4,373
<i>Statutory profit before depreciation and amortisation, net finance costs, equity accounted investments and tax</i>	603,918	527,463
Statutory net finance costs	(185,513)	(176,320)
Statutory depreciation and amortisation	(289,435)	(305,051)
Share of associates profit/(loss)	(20,198)	(20,549)
Income tax benefit/(expense)	9,386	34,062
Profit for the year	118,158	59,605

One off items

The exclusion of certain items in the Group's results permits a more appropriate and meaningful analysis of the Group's underlying performance on a comparative basis.

One off items are:

	30 June 2011 \$'000	30 June 2010 \$'000
M4 handback provision and reversal of contingent liability recognised on acquisition	18,625	-
Corporate advisory costs (relating to the change of control proposal)	-	(5,409)
	18,625	(5,409)

2 Segment information (continued)

Segment information - Segment assets

The segment information provided to the CEO and Executive Committee in respect of assets is presented on a statutory consolidated basis. The assets are allocated based on the physical location of the asset. The information for the reportable segments for the year ended 30 June 2011 and 30 June 2010 is as follows:

30 June 2011	Victoria	New South Wales						USA		Total	
		Hills M2 \$'000	M1 Eastern Distributor \$'000	Lane Cove Tunnel \$'000	M5 \$'000	M7 \$'000	Roam & Tollaustr \$'000	Total New South Wales \$'000	Transurban DRIVE \$'000	Corporate \$'000	
	CityLink \$'000										
	3,536,074	2,222,608	2,110,444	645,192	383,890	724,225	46,908	6,133,267	140,944	593,245	10,403,530
Total segment assets											
Total segment assets includes:											
Investments in associates and joint venture partnerships	-	-	-	-	383,890	-	-	383,890	140,944	-	524,834
Additions to non-current assets (other than financial assets and deferred tax)	94,966	138,777	-	648,199	-	-	1,546	788,522	-	38,357	921,845
30 June 2010	Victoria	New South Wales						USA		Total	
		Hills M2 \$'000	M1 Eastern Distributor \$'000	M4 \$'000	M5 \$'000	M7 \$'000	Roam & Tollaustr \$'000	Total New South Wales \$'000	Transurban DRIVE \$'000	Corporate \$'000	
	CityLink \$'000										
	3,466,189	2,142,367	2,142,640	16,235	428,747	678,044	45,157	5,453,190	170,712	991,231	10,081,322
Total segment assets											
Total segment assets includes:											
Investments in associates and joint venture partnerships	-	-	-	-	428,747	-	-	428,747	170,712	-	599,459
Additions to non-current assets (other than financial assets and deferred tax)	91,651	19,189	-	-	-	-	1,174	20,363	-	38,993	151,007

3 Revenue

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Toll revenue	(a)	724,130	684,390
Fee revenue	(a)	56,693	49,967
Other road revenue	(b)	18,394	16,750
Total toll, fee and other road revenue		<u>799,217</u>	<u>751,107</u>
Construction revenue	(c)	220,015	46,822
Business development revenue	(d)	16,255	18,447
Other revenue		1,029	793
Total business development and other revenue		<u>17,284</u>	<u>19,240</u>
Total revenue		<u>1,036,516</u>	<u>817,169</u>

Description of revenue

(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. It should be noted that construction revenue is offset by an equal expense. This presentation is a requirement of AASB-I 12 Service Concession Arrangements, and does not have a net effect on the income statement for the Transurban Group.

(d) Business development revenue

Business development revenue relates to the provision of development services to third parties.

4 Expenses

	30 June 2011 \$'000	30 June 2010 \$'000
Profit before income tax includes the following specific expenses:		
Provision for impairment of trade receivables recognised during the year	1,537	1,216
Rental expenses relating to operating leases	4,828	6,119
Employee benefit expense	88,262	83,397
Defined contribution superannuation expense	4,889	4,887
Share based payment expense	4,581	5,159
Provision for maintenance recognised during the year	14,748	17,758
M4 handback provision and reversal of contingent liability recognised on acquisition	(18,625)	-
<i>Concession fees (road operating cost) are attributable to:</i>		
Hills M2 Motorway	1,280	919
M1 Eastern Distributor	1,689	1,457
M4 Motorway	-	1,668
	<u>2,969</u>	<u>4,044</u>

4 Expenses (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Depreciation and amortisation expense</i>		
Road operating cost	285,008	299,532
Corporate cost	<u>4,427</u>	<u>5,519</u>
	<u>289,435</u>	<u>305,051</u>

5 Net finance costs

	30 June 2011 \$'000	30 June 2010 \$'000
Finance income		
Interest income on infrastructure bonds	168,403	190,605
Interest income on term loan notes (held to maturity investment)	84,565	78,879
Interest income on bank deposits	17,789	11,023
Net foreign exchange gains	-	137
Total finance income	<u>270,757</u>	<u>280,644</u>
Finance costs		
Interest and finance charges paid/payable	(324,899)	(314,583)
Interest charges paid/payable on infrastructure bonds	(113,546)	(129,378)
Unwind of discount on liabilities	(17,156)	(13,003)
Foreign exchange losses	(669)	-
Total finance costs	<u>(456,270)</u>	<u>(456,964)</u>
Net finance costs	<u>(185,513)</u>	<u>(176,320)</u>

6 Income tax benefit

	30 June 2011 \$'000	30 June 2010 \$'000
Income tax benefit		
Current tax	31,084	24,934
Deferred tax	(47,973)	(54,398)
Under (over) provided in prior years	<u>7,503</u>	<u>(4,598)</u>
	<u>(9,386)</u>	<u>(34,062)</u>
Deferred income tax (benefit) expense included in income tax benefit comprises:		
(Increase) in deferred tax assets (note 13)	(81,669)	(28,672)
Increase (decrease) in deferred tax liabilities (note 13)	<u>33,696</u>	<u>(25,726)</u>
	<u>(47,973)</u>	<u>(54,398)</u>
Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit (loss) before income tax benefit	<u>108,772</u>	<u>25,543</u>
Tax at the Australian tax rate of 30% (2010 - 30%)	32,632	7,663
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Trust income not subject to tax	(93,123)	(85,922)
Accounting depreciation on non tax depreciable assets	5,094	653
Infrastructure bond non-deductible interest	34,064	38,814
Equity accounted results	6,059	6,132
Sundry items	<u>(1,615)</u>	<u>3,196</u>
	<u>(16,889)</u>	<u>(29,464)</u>
Under (over) provision in prior years	<u>7,503</u>	<u>(4,598)</u>
Income tax benefit	<u>(9,386)</u>	<u>(34,062)</u>
Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges (note 20)	(12,560)	13,635
Foreign currency translation (note 20)	<u>(432)</u>	<u>-</u>
	<u>(12,992)</u>	<u>13,635</u>

Tax consolidation legislation

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

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

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

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

7 Current assets - Cash and cash equivalents

	30 June 2011 \$'000	30 June 2010 \$'000
Cash at bank and in hand	<u>411,880</u>	<u>681,259</u>
	<u>411,880</u>	<u>681,259</u>

All cash balances are interest bearing.

Funds not for general use

The amount shown in Cash at Bank includes \$77.8 million not available for general use at 30 June 2011 (2010: \$84.8 million). This comprises amounts required to be held under maintenance and funding reserves, and prepaid tolls, which are restricted from general use.

8 Current assets - Trade and other receivables

	30 June 2011 \$'000	30 June 2010 \$'000
Trade receivables	36,094	32,353
Provision for impairment of receivables	<u>(5,462)</u>	<u>(4,408)</u>
	<u>30,632</u>	<u>27,945</u>
Infrastructure bond interest receivable	149,370	139,483
Prepayments	5,354	6,235
Other receivables	<u>32,204</u>	<u>31,944</u>
	<u>217,560</u>	<u>205,607</u>

Provision for impaired trade and other receivables

As at 30 June 2011 current trade receivables of the Group with a nominal value of \$5,462,000 (2010: \$4,408,000) were considered impaired and accordingly the Group held a provision for impairment of \$5,462,000 (2010: \$4,408,000). As at 30 June 2011, trade receivables of \$1,910,000 (2010: \$3,271,000) were past due but not impaired.

The ageing of these receivables is as follows:

	Not impaired \$'000	Impaired \$'000	Allowance for Doubtful Debts \$'000
For the year ended 30 June 2011			
<i>Trade and other receivables</i>			
Current (not past due)	28,535	1,739	1,739
less than 30 days overdue	1,617	1,666	1,666
more than 30 but less than 60 days overdue	327	1,599	1,599
more than 60 but less than 90 days overdue	52	86	86
more than 90 days overdue	<u>101</u>	<u>372</u>	<u>372</u>
	<u>30,632</u>	<u>5,462</u>	<u>5,462</u>

8 Current assets - Trade and other receivables (continued)

For the year ended 30 June 2010	Not impaired \$'000	Impaired \$'000	Allowance for Doubtful Debts \$'000
<i>Trade and other receivables</i>			
Current (not past due)	24,674	1,311	1,311
less than 30 days overdue	2,601	1,099	1,099
more than 30 but less than 60 days overdue	403	1,400	1,400
more than 60 but less than 90 days overdue	77	215	215
more than 90 days overdue	190	383	383
	<u>27,945</u>	<u>4,408</u>	<u>4,408</u>

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

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

	30 June 2011 \$'000	30 June 2010 \$'000
At 1 July	4,408	3,972
Provision for impairment recognised during the year	1,537	1,216
Receivables written off during the year as uncollectable	(483)	(780)
At 30 June	<u>5,462</u>	<u>4,408</u>

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

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

9 Equity accounted investments

Name of company	Ownership interest		Carrying amount	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	%	%	\$'000	\$'000
Westlink M7:				
WSO Company Pty Limited	50	50	-	-
Westlink Motorway Limited	50	50	-	-
WSO Finance Pty Limited	50	50	-	-
Westlink Motorway Partnership	50	50	-	-
Interlink Roads Pty Ltd (M5 Motorway)	50	50	383,890	428,747
Transurban DRIVE Holdings LLC (Transurban DRIVE)	75	75	<u>140,944</u>	<u>170,712</u>
			<u>524,834</u>	<u>599,459</u>

Summarised financial information of associates

	Ownership Interest %	Group's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit (loss) \$'000
2011					
Westlink M7	50	997,769	(1,404,116)	96,544	(70,236)
M5 Motorway	50	682,555	(298,665)	89,135	(3,857)
Transurban DRIVE	75	<u>1,376,446</u>	<u>(1,235,502)</u>	<u>10,837</u>	<u>(16,341)</u>
		<u>3,056,770</u>	<u>(2,938,283)</u>	<u>196,516</u>	<u>(90,434)</u>
2010					
Westlink M7	50	1,015,260	(1,359,438)	88,838	(7,066)
M5 Motorway	50	722,789	(294,042)	87,407	(2,709)
Transurban DRIVE	75	<u>2,110,104</u>	<u>(1,939,392)</u>	<u>11,807</u>	<u>(17,840)</u>
		<u>3,848,153</u>	<u>(3,592,872)</u>	<u>188,052</u>	<u>(27,615)</u>

9 Equity accounted investments (continued)

	Westlink M7		M5 Motorway		Transurban DRIVE		Total	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Movements in carrying amounts								
Carrying amount 1 July	-	-	428,747	467,956	170,712	196,203	599,459	664,159
Investments in associate	-	-	-	-	28,103	24,452	28,103	24,452
Share of losses after tax	-	-	(3,857)	(2,709)	(16,341)	(17,840)	(20,198)	(20,549)
Distributions received	-	-	(41,000)	(36,500)	-	-	(41,000)	(36,500)
Movement in exchange rate	-	-	-	-	(52,957)	(11,940)	(52,957)	(11,940)
Movement in reserves	-	-	-	-	11,427	(20,163)	11,427	(20,163)
Carrying amount at 30 June	-	-	383,890	428,747	140,944	170,712	524,834	599,459
Share of profits or losses								
Profit/(loss) before tax	-	-	11,417	13,229	(22,664)	(24,890)	(11,247)	(11,661)
Income tax (expense)/benefit	-	-	(15,274)	(15,938)	6,323	7,050	(8,951)	(8,888)
	-	-	(3,857)	(2,709)	(16,341)	(17,840)	(20,198)	(20,549)
Share of losses not recognised								
Balance at 1 July	271,260	264,194	-	-	-	-	271,260	264,194
Unrecognised losses for the year	70,236	7,066	-	-	-	-	70,236	7,066
Balance at 30 June	341,496	271,260	-	-	-	-	341,496	271,260
Share of expenditure commitments								
Capital commitments	-	-	604	-	323,835	780,440	324,439	780,440
Operating commitments	191,045	196,322	-	152	143,657	134,782	334,702	331,256
Lease commitments	-	-	-	-	-	-	-	-
	191,045	196,322	604	152	467,492	915,222	659,141	1,111,696
Contingent liabilities								
Share of contingent liabilities incurred jointly with other investors	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Westlink M7

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

WSO Company Pty Limited is the operator of the M7.

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

WSO Finance Pty Limited is the financier of the M7.

Westlink Motorway Partnership was responsible for the construction of the M7. The M7 opened for operation on 16 December 2005.

The M7 is a fully electronically tolled motorway with distance-based tolling charges. Tolls are escalated or deescalated quarterly by quarterly CPI.

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

9 Equity accounted investments (continued)

M5 Motorway

Transurban holds a 50 per cent ownership interest in the M5 Motorway in Sydney. Tolls are collected on the M5 in both directions, with four toll collection points. The concession for the M5 Motorway extends to August 2023 when all concession assets will be returned to the NSW State Government.

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

Transurban DRIVE

Transurban owns 75 per cent of Transurban DRIVE Holdings LLC (DRIVE). Whilst Transurban ownership represents greater than half of the voting rights of DRIVE, it does not have power to govern its financial, investing and operating policies and accordingly accounts for DRIVE as an associate.

A Meeting of Members of DRIVE is required to make decisions in relation to such areas as the legal and financial structure of DRIVE, including distribution policies. 80 per cent or more of the membership interests of those voting is required to pass a decision of the Meeting of Members. Key decisions relating to the operations and financing of DRIVE, such as approval to bid for or dispose of an investment and approval of budgets, are made by the Investment and Management Review Committee (IMRC). IMRC decisions also require an affirmative vote by all current members.

DRIVE owns 100 per cent of Pocahontas 895 and 90 per cent of Capital Beltway Express, both in Virginia, USA. Pocahontas 895 is a 99 year concession ending in June 2105. Tolls are escalated according to a prescribed schedule until 2016, and the greater of CPI, real GDP or 2.8 per cent thereafter. Capital Beltway Express is currently in construction phase and is scheduled to open in late 2012, and will have a 75 year concession period.

10 Non-current assets - Term loan notes

	30 June 2011 \$'000	30 June 2010 \$'000
Term loan notes	<u>724,225</u>	<u>678,044</u>
	<u>724,225</u>	<u>678,044</u>

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

The interest rate charged on these notes is 11.93 per cent and any unpaid interest capitalises into additional notes. During the year ended 30 June 2011 the Group capitalised interest of \$46.2 million (2010: \$44.8 million). The TLN's are accounted for as held-to-maturity investments.

Impairment and risk exposure

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

11 Derivative financial instruments

	30 June 2011 \$'000	30 June 2010 \$'000
Current assets		
Interest rate swap contracts - cash flow hedges	<u>1,065</u>	<u>271</u>
	<u>1,065</u>	<u>271</u>
Non-current assets		
Interest rate swap contracts - cash flow hedges	15,361	17,484
Cross-currency interest rate swap contracts - cash flow hedges	<u>39,877</u>	<u>62,475</u>
	<u>55,238</u>	<u>79,959</u>
Total derivative financial instrument assets	<u>56,303</u>	<u>80,230</u>
Current liabilities		
Forward exchange contracts - cash flow hedges	135,677	-
Interest rate swap contracts - cash flow hedges	<u>754</u>	<u>2,822</u>
	<u>136,431</u>	<u>2,822</u>
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	69,404	96,223
Cross currency interest rate swap contracts - cash flow hedges	186,307	4,416
Forward exchange contracts - cash flow hedges	<u>-</u>	<u>40,391</u>
	<u>255,711</u>	<u>141,030</u>
Total derivative financial instrument liabilities	<u>392,142</u>	<u>143,852</u>

Instruments used by the Group

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

The instruments used by the Group are as follows:

- Interest rate swap contracts - cash flow hedges*

The Group uses interest rate swap contracts for hedging purposes to convert variable rate borrowings to fixed. Variable rate borrowings of the Group currently bear an average interest rate of 6.23 per cent (2010: 6.1 per cent). It is policy to protect part or all of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

Interest rate swap contracts currently in place cover 99 per cent (2010: 100 per cent) of long term variable debt excluding working capital facilities. The average all-in rate after hedging on the hedged portion of the Group's variable rate borrowings is 7.0 per cent (2010: 7.2 per cent).
- Forward exchange contracts - cash flow hedges*

The Transurban Group raised fixed U.S. Dollar debt through a U.S. Private Placement in November 2006. This placement was structured to be capital accretive for five years. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts.

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

11 Derivative financial instruments (continued)

- Cross-currency interest rate swap contracts - cash flow hedges*

The Group has made several U.S. Private Placements raising fixed rate debt. It is the policy of the Group to protect foreign currency facilities from exposure to unfavourable exchange rate movements. Accordingly, the Group has entered into cross-currency interest rate swap contracts under which it is obliged to receive foreign currency interest at fixed rates and pay AUD interest at floating rates.

12 Non-current assets - Property, plant and equipment

**Equipment,
fittings and
operating
systems
\$'000**

At 1 July 2009

Cost	254,675
Accumulated depreciation	(138,219)
Net book amount	<u>116,456</u>

Year ended 30 June 2010

Opening net book amount	116,456
Additions	44,961
Depreciation charge	(15,364)
Closing net book amount	<u>146,053</u>

At 30 June 2010

Cost	284,285
Accumulated depreciation	(138,232)
Net book amount	<u>146,053</u>

Year ended 30 June 2011

Opening net book amount	146,053
Additions	44,308
Disposals	(1,121)
Depreciation charge	(11,560)
Movement in foreign exchange rates	(132)
Closing net book amount	<u>177,548</u>

At 30 June 2011

Cost	319,675
Accumulated depreciation	(142,127)
Net book amount	<u>177,548</u>

Included in property, plant and equipment is operating systems, equipment and fittings.

13 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
The balance comprises temporary differences attributable to:						
Accrued expenses	2,218	2,200	-	-	2,218	2,200
Provisions	74,619	75,819	-	-	74,619	75,819
Current and prior year losses	459,883	400,440	-	-	459,883	400,440
Investments	-	-	-	-	-	-
Unearned income	19,494	15,236	-	-	19,494	15,236
Fixed Assets/Intangibles	6,813	3,464	(1,013,821)	(1,004,716)	(1,007,008)	(1,001,252)
Interest receivable	-	-	(46,119)	(44,506)	(46,119)	(44,506)
Unrealised gain	27,488	14,299	(13,862)	(11,501)	13,626	2,798
Prepayments	-	-	(9,986)	-	(9,986)	-
Concession fees and promissory notes	-	-	(327,826)	(318,335)	(327,826)	(318,335)
Cash flow hedges	112,979	39,278	(125,088)	(63,947)	(12,109)	(24,669)
Other	2,261	2,895	-	(37)	2,261	2,858
Tax assets/(liabilities)	705,755	553,631	(1,536,702)	(1,443,042)	(830,947)	(889,411)
Set off of tax	(692,856)	(541,580)	692,856	541,580	-	-
Net tax assets/(liabilities)	12,899	12,051	(843,846)	(901,462)	(830,947)	(889,411)

Movements:

Opening balance at 1 July	553,631	514,671	(1,443,042)	(1,445,014)	(889,411)	(930,343)
Credited/(charged) to the income statement	81,669	28,672	(33,696)	25,726	47,973	54,398
Credited/(charged) to equity	73,701	11,064	(60,709)	(23,801)	12,992	(12,737)
Tax losses utilised	-	(611)	-	-	-	(611)
Foreign exchange movements	(3,246)	(189)	745	71	(2,501)	(118)
Transfer from deferred tax assets/liabilities	-	24	-	(24)	-	-
Closing balance at 30 June	705,755	553,631	(1,536,702)	(1,443,042)	(830,947)	(889,411)

Deferred tax assets/(liabilities) to be recovered after more than 12 months

705,755	553,631	(1,536,702)	(1,443,042)	(830,947)	(889,411)
705,755	553,631	(1,536,702)	(1,443,042)	(830,947)	(889,411)

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

14 Non-current assets - Intangible assets

	Goodwill \$'000	CityLink \$'000	Hills M2 Motorway \$'000	M1 Eastern Distributor \$'000	M4 Motorway \$'000	Lane Cove Tunnel \$'000	Assets under construction \$'000	Total \$'000
At 1 July 2009								
Cost	260,288	4,439,019	2,517,866	2,153,780	178,788	-	125,592	9,675,333
Accumulated amortisation	-	(1,167,515)	(388,135)	(119,552)	(137,866)	-	-	(1,813,068)
Net book amount	<u>260,288</u>	<u>3,271,504</u>	<u>2,129,731</u>	<u>2,034,228</u>	<u>40,922</u>	<u>-</u>	<u>125,592</u>	<u>7,862,265</u>
Year ended 30 June 2010								
Opening net book amount	260,288	3,271,504	2,129,731	2,034,228	40,922	-	125,592	7,862,265
Additions	-	49,982	-	-	-	-	56,059	106,041
Amortisation charge	-	(134,488)	(64,701)	(52,050)	(38,448)	-	-	(289,687)
Closing net book amount	<u>260,288</u>	<u>3,186,998</u>	<u>2,065,030</u>	<u>1,982,178</u>	<u>2,474</u>	<u>-</u>	<u>181,651</u>	<u>7,678,619</u>
At 30 June 2010								
Cost	260,288	4,489,001	2,517,866	2,153,780	178,788	-	181,651	9,781,374
Accumulated amortisation	-	(1,302,003)	(452,836)	(171,602)	(176,314)	-	-	(2,102,755)
Net book amount	<u>260,288</u>	<u>3,186,998</u>	<u>2,065,030</u>	<u>1,982,178</u>	<u>2,474</u>	<u>-</u>	<u>181,651</u>	<u>7,678,619</u>
Year ended 30 June 2011								
Opening net book amount	260,288	3,186,998	2,065,030	1,982,178	2,474	-	181,651	7,678,619
Additions	-	51,611	-	-	-	648,068	177,858	877,537
Transfer	-	139,368	-	-	-	-	(139,368)	-
Amortisation charge	-	(139,140)	(64,340)	(52,050)	(501)	(21,844)	-	(277,875)
Closing net book amount	<u>260,288</u>	<u>3,238,837</u>	<u>2,000,690</u>	<u>1,930,128</u>	<u>1,973</u>	<u>626,224</u>	<u>220,141</u>	<u>8,278,281</u>
At 30 June 2011								
Cost	260,288	4,679,980	2,517,866	2,153,780	178,788	648,068	220,141	10,658,911
Accumulated amortisation	-	(1,441,143)	(517,176)	(223,652)	(176,815)	(21,844)	-	(2,380,630)
Net book amount	<u>260,288</u>	<u>3,238,837</u>	<u>2,000,690</u>	<u>1,930,128</u>	<u>1,973</u>	<u>626,224</u>	<u>220,141</u>	<u>8,278,281</u>

Description of intangible assets

Goodwill

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

Concession assets

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

CityLink concession asset

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

During the year \$139.4 million of assets under construction was transferred to the CityLink concession asset, representing the completed components of the CityLink Upgrade.

14 Non-current assets - Intangible assets (continued)

Hills M2 concession asset

Transurban has the right to toll the Hills M2 Motorway until 2046. The Concession Deed also requires Transurban to maintain the Motorway.

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

M1 Eastern Distributor concession asset

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

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

M4 Concession asset

Transurban held an investment of 50.61 per cent in the M4 Motorway in Sydney via the concessionaire Statewide Roads Limited. The M4 Motorway opened in 1992 and was handed back to the NSW State Government on 15 February 2010.

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

Lane Cove Tunnel

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

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

Assets under construction

The Group is currently undertaking upgrade works on CityLink and the Hills M2 Motorway. The CityLink upgrade is substantially complete, and is expected to be fully complete in calendar year 2011. Construction on the M2 Upgrade commenced in January 2011. These will be transferred to the respective intangible assets upon completion. During the year completed works of \$139.4 million were transferred to the CityLink concession asset.

Impairment testing of goodwill and other intangible assets

Impairment testing

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

Key assumptions used for calculating the recoverable amount

The Group makes assumptions in calculating the recoverable amount of its cash generating units. These include assumptions around expected traffic flows and forecast operational costs. In performing the calculations the Group has applied a discount rate ranging from 8.8 to 11.0 per cent (2010: 8.8 per cent), representing the implied discount rate applicable to the risk profile of the Group's assets, to discount the forecast future attributable cash flows. In determining future cash flows, the Group has also applied rates of growth to underlying operating assumptions to reflect the expected performance of the assets beyond the budget period in accordance with the respective concessions. The operating costs have been escalated in line with a combination of Consumer Price Index (CPI) and Average Weekly Earnings (AWE) forecasts. A long term CPI rate of 2.5 per cent (2010: 2.5 per cent) and AWE of 4.0 per cent (2010: 4.0 per cent) have been used.

15 Current liabilities - Trade and other payables

	30 June 2011 \$'000	30 June 2010 \$'000
Trade payables and accruals	109,821	99,834
Infrastructure bond interest payable	<u>111,542</u>	<u>102,520</u>
	<u>221,363</u>	<u>202,354</u>

16 Borrowings

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Current			
Infrastructure facilities	(a)	1,292,301	-
Less: Infrastructure facility cash reserve	(a)	(1,292,301)	-
Working capital facilities	(b)	-	35,604
Capital Markets Debt	(c)	202,870	-
		<u>202,870</u>	<u>35,604</u>
Non-current			
Infrastructure Facilities	(a)	-	1,187,777
Less: Infrastructure facility cash reserve	(a)	-	(1,187,777)
Working capital facilities	(b)	37,383	-
Capital Markets Debt	(c)	1,037,377	1,136,627
Term debt	(d)	1,286,769	964,507
U.S. Private Placement	(e)	1,074,951	1,306,161
Syndicated facility	(f)	599,337	597,715
		<u>4,035,817</u>	<u>4,005,010</u>
Total borrowings		<u>4,238,687</u>	<u>4,040,614</u>

Description of borrowings - Financing arrangements and credit facilities

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

(a) Infrastructure facilities

M1 Airport Motorway

\$1,292.3 million (2010: \$1,187.8 million) facility certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The bonds are secured by an infrastructure facility cash reserve equal to the amount of the loan which is set off against the loan facility, the principal of the refinancing bonds will be repaid from the infrastructure facility cash reserve in August 2011. The facility was fully drawn down at 30 June 2011.

(b) Working capital facilities

The Group has the following facilities in place:

- \$220.0 million facility which is for a term of 3 years, maturing December 2013. At 30 June 2011, \$39.2 million of the facility was drawn-down in cash.
- \$130.0 million facility which is for a term of 3 years, maturing June 2013. At 30 June 2011, the facility was un-drawn.
- \$100.0 million facility which is for a term of 3 years, maturing April 2013. At 30 June 2011, the facility was un-drawn.

These facilities are secured by a first ranking charge over the cash flows of the Transurban Group. The facilities has deferred borrowing costs of \$1.8 million.

16 Borrowings (continued)

(c) Capital markets debt

These facilities comprise the following:

- \$600.0 million credit wrapped floating rate bonds raised in November 2005 with terms of 10 years (\$300.0 million) and 12 years (\$300.0 million) with interest currently payable at 5.4 per cent at 30 June 2011. These facilities are fully hedged with all-in rates of 7.4 and 5.1 per cent respectively.
- \$137.5 million non-credit wrapped fixed rate bonds raised in September 2006 with a term of 5 years. Interest is payable at 6.5 per cent.
- \$65.4 million non-credit wrapped floating rate bonds raised in September 2006 with a term of 5 years. Interest is currently payable at 5.5 per cent at 30 June 2011. This facility is fully hedged with an all-in rate after hedging of 4.4 per cent.
- \$250.0 million non-credit wrapped fixed rate bonds raised in March 2010 with a term of 4 years. Interest is payable at 7.3 per cent.
- \$200.0 million non-credit wrapped fixed bond raised in June 2011 with a term of 5 years. Interest is payable at 6.8 per cent.

The facilities have deferred borrowing costs of \$12.6 million. These facilities are secured by first ranking charge over the cash flows of the Group.

(d) Term debt

The term debt facilities are comprised of:

- \$515.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust). The facility has deferred borrowing costs of \$6.4 million.
- \$740.0 million facility entered into by Hills Motorway Management Limited (as trustee for Hills Motorway Trust). The facility has deferred borrowing costs of \$9.1 million.
- \$260.0 million facility entered into by LCT-MRE Nominees Pty Limited (as trustee for LCT-MRE Trust). The facility has deferred borrowing costs of \$1.7 million.

The Airport Motorway facility was refinanced in July 2009 and is fully secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets. The facility is a non-recourse syndicated facility with terms of three years (\$195.0 million), five years (\$260.0 million) and seven years (\$60.0 million). The current floating interest rate applicable to the facility is 4.89 per cent (2010: 7.6 per cent). These facilities are fully hedged to an all-in rate after hedging of 8.4 per cent.

On 7 July 2011, the above facilities were refinanced and replaced with \$520.0 million of non-recourse project debt maturing in July 2014 (\$295.0 million) and July 2018 (\$225.0 million).

The Hills M2 facility was refinanced in November 2010 and is fully secured against the respective rights of Hills Motorway Limited and Hills Motorway Trust and their assets. The facility is a non-recourse syndicated facility totalling \$740.0 million. The financing is comprised of: the refinancing of \$465.0 million of existing debt with terms of four years (\$400.0 million), and six years (\$65.0 million); and a new construction capex facility of \$275.0 million with a term of 6 years. As at 30 June 2011, \$64.1 million was drawn under the construction capex facility. The total facility is currently 95.8 per cent hedged with an all-in rate after hedging of 6.8 per cent.

The Lane Cove Tunnel facility was established in August 2010 to partially finance the acquisition of the Lane Cove Tunnel and is fully secured against the respective rights of LCT-MRE Pty Limited and LCT-MRE Trust and their assets. This facility is a non-recourse syndicated facility with a term of 3 years. The current floating rate applicable to the facility is 4.9 per cent. The facility is fully hedged to an all-in rate after hedging of 7.0 per cent.

16 Borrowings (continued)

(e) U.S. private placement

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

	Rate	USD \$'000	AUD \$'000	Maturity
Fixed Interest Rate				
Dec 04 - Tranche A	5.02%	100,000	93,119	Dec 2014
Dec 04 - Tranche B	5.17%	38,900	36,223	Dec 2016
Dec 04 - Tranche C	5.47%	108,600	101,127	Dec 2019
Aug 05 - Tranche A	5.04%	98,000	91,256	Aug 2015
Aug 05 - Tranche B	5.19%	125,500	116,864	Aug 2017
Aug 05 - Tranche C	5.35%	156,500	145,730	Aug 2020
Nov 06 - Tranche A	5.71%	55,398	51,586	Nov 2016
Nov 06 - Tranche B	5.86%	176,367	164,230	Nov 2018
Nov 06 - Tranche C	5.95%	157,533	146,692	Nov 2021
Nov 06 - Tranche D	6.06%	<u>65,410</u>	<u>60,909</u>	Nov 2026
		1,082,208	1,007,736	
Floating Interest Rate				
Dec 04 - Tranche D	5.92%		<u>72,000</u>	Dec 2019
			72,000	
Total US Private Placement			<u>1,079,736</u>	
Deferred borrowing costs			<u>(4,785)</u>	
Total			<u>1,074,951</u>	

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

Hedge of net investment in foreign entity

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

As at 30 June 2011, the Group has deferred \$53.2 million in gains (2010: \$16.8 million).

(f) Syndicated facility

This facility, established in August 2007, comprises syndicated bank debt issued by Transurban Finance Company Pty Limited, with terms of five years (\$375.0 million), seven years (\$100.0 million) and ten years (\$125.0 million) with applicable interest rates ranging between 5.5 and 5.7 per cent. This facility is fully hedged with an all-in rate after hedging of 7.3 per cent.

The facility has deferred borrowing costs of \$0.7 million. This facility is secured by a first ranking charge over the cash flows of the Group.

Letters of credit and corporate credit facilities

The Group has a \$50 million letter of credit facility which is for a term of 3 years, maturing December 2013. As at 30 June 2011, letters of credit to the value of \$42.8 million have been issued which are currently undrawn and therefore no liability has been recorded.

A \$6.6 million general credit facility is in place covering corporate requirements including letters of credit, credit card facilities, online banking and an overdraft facility. As at 30 June 2011, a \$5.6 million bank guarantee had been issued which is currently undrawn and therefore no liability has been recorded. The 364 day facility matures on 2 June 2012.

Set-off of assets and liabilities

A legal right of set-off exists in respect of the specific cash deposit of \$1,292.3 million (2010: \$1,187.8 million) representing collateralisation of the M1 Airport Motorway Infrastructure Facility.

16 Borrowings (continued)

Covenants

The Group's debt has the following Interest Coverage Ratio (ICR) covenants:

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

In addition, the Group has a market capitalisation based clause where gearing must not exceed 60 per cent. Based on the balance sheet as at 30 June 2011, the Group's security price would need to close below \$2.17 per Security for 20 consecutive business days to trigger this clause.

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

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

17 Provisions

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Current			
Employee benefits	(a)	20,118	25,185
Onerous lease provision	(b)	2,101	2,876
Distribution to security holders	(c)	202,146	169,818
Distributions to non-controlling interests in subsidiaries	(c)	29,347	27,662
Maintenance provision	(d)	42,874	68,028
		<u>296,586</u>	<u>293,569</u>
Non-current			
Employee benefits	(a)	2,226	1,645
Maintenance provision	(d)	158,749	129,980
Provision for contingent consideration	(e)	101,598	49,987
		<u>262,573</u>	<u>181,612</u>
Total provisions		<u>559,159</u>	<u>475,181</u>

17 Provisions (continued)

Movements in provisions

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

	Current			Non-current		
	Onerous lease provision \$'000	Distribution to security holders \$'000	Distributions to non-controlling interests in subsidiaries \$'000	Current maintenance provision \$'000	Non-current maintenance provision \$'000	Provision for contingent consideration \$'000
Consolidated - 2011						
Balance at 1 July	2,876	169,818	27,662	68,028	129,980	49,987
Additional provision recognised	-	389,463	12,416	21,714	-	51,611
Unutilised amounts	-	-	-	(6,966)	-	-
M4 handback provision	-	-	-	(13,625)	-	-
Provision recognised - on acquisition	-	-	-	1,594	12,400	-
Amounts paid/utilised	(283)	(357,135)	(10,731)	(24,175)	-	-
Movements in foreign exchange rates	(492)	-	-	-	-	-
Unwinding of discount	-	-	-	-	12,673	-
Transfer	-	-	-	(3,696)	3,696	-
Balance at 30 June	<u>2,101</u>	<u>202,146</u>	<u>29,347</u>	<u>42,874</u>	<u>158,749</u>	<u>101,598</u>

Description of provisions

(a) Employee benefits

Employee benefits relate to the provision for annual leave, bonuses and long service leave.

(b) Onerous lease provision

An onerous lease is recognised when the Group has lease commitments on property no longer used.

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

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

(d) Maintenance provision

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

(e) Provision for contingent consideration

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

The payment will represent 50 per cent of the present value of this increased revenue. Actual toll revenue for the third full financial year post construction completion is extrapolated to the end of the CityLink concession to determine the payment amount.

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

18 Other liabilities

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Current			
Prepaid tolls	(a)	59,046	56,393
Unearned income	(b)	29,995	21,063
Other		<u>581</u>	<u>579</u>
		89,622	78,035
Non-current			
Concession and promissory notes	(c)	49,510	41,846
Lease incentive		2,565	3,146
Other		<u>579</u>	<u>544</u>
		52,654	45,536
Total other liabilities		142,276	123,571

Description of other liabilities

(a) Prepaid tolls

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

(b) Unearned income

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

(c) Concession and promissory notes

M1 Eastern Distributor

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

Concession Notes are recognised at the present value of expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of the M1 Motorway, the present value of the expected future repayments is determined using a discount rate of 12 per cent which recognises their subordinate nature.

The face value of Concession Notes on issue at 30 June 2011 is \$210.0 million (2010: \$195.0 million). The net present value at 30 June 2011 of the redemption payments relating to these Concession Notes is \$29.8 million (2010: \$25.2 million).

M2 Motorway

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

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

The face value of Promissory Notes on issue at 30 June 2011 is \$126.5 million (2010: \$116.2 million). The net present value at 30 June 2011 of the redemption payments relating to these Promissory Notes is \$19.7 million (2010: \$16.6 million).

19 Contributed equity

	30 June 2011 \$'000	30 June 2010 \$'000
Share capital		
Fully paid stapled securities	<u>7,772,117</u>	<u>7,656,383</u>
	<u>7,772,117</u>	<u>7,656,383</u>
	Number '000	Number '000
Fully paid stapled securities	<u>1,443,193</u>	<u>1,414,295</u>
	<u>1,443,193</u>	<u>1,414,295</u>

Stapled securities

The number of stapled securities on issue is 1,443,543,731 (2010: 1,414,667,986). The difference of 351,075 (2010: 373,804) relates to treasury securities.

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

Capital risk management

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

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

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

Movements in ordinary share capital:

	Notes	Number of securities '000	Consolidated \$'000
Opening balance at 1 July 2009		1,281,363	7,106,243
Distribution reinvestment plan	(a)	14,069	65,381
Purchase, disposal and vesting of treasury securities	(b)	946	8,437
Rights issue, net of transaction costs	(c)	117,917	530,313
Less: Amounts attributable to Transurban International Limited	(d)	-	(53,991)
Closing balance at 30 June 2010		<u>1,414,295</u>	<u>7,656,383</u>
Opening balance at 1 July 2010		1,414,295	7,656,383
Distribution reinvestment plan	(a)	28,876	124,550
Purchase, disposal and vesting of treasury securities	(b)	22	103
Transfer vesting portion of LTI from share-based payment reserve	(b)	-	440
Purchase of Performance Rights Plan units	(b)	-	(675)
Less: Amounts attributable to Transurban International Limited	(d)	-	(8,684)
Closing balance at 30 June 2011		<u>1,443,193</u>	<u>7,772,117</u>

19 Contributed equity (continued)

(a) Distribution Reinvestment Plan

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

(b) Treasury securities

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

(c) Rights issue

On 10 June 2010, Transurban raised \$542.4 million, less costs, via an equity raising, issuing 117.9 million stapled securities.

(d) Non-controlling interest - Transurban International Limited

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

20 Reserves and accumulated losses

	30 June 2011 \$'000	30 June 2010 \$'000
Reserves		
Cash flow hedges	34,560	63,602
Share-based payments	10,188	6,128
Foreign currency translation	(13,160)	(12,009)
Transactions with non-controlling interests	(5,127)	(5,127)
	<u>26,461</u>	<u>52,594</u>
Movements:		
<i>Cash flow hedges</i>		
Balance 1 July	63,602	20,744
Revaluation - gross	(45,578)	38,704
Deferred tax (note 13)	12,560	(13,635)
Transfer to net profit	4,375	17,120
Amount attributable to non-controlling interest	(399)	669
Movement in associate's reserve	11,427	(20,163)
Movement in associate's reserve attributable to non-controlling interest	(11,427)	20,163
Balance 30 June	<u>34,560</u>	<u>63,602</u>
<i>Share-based payments</i>		
Balance 1 July	6,128	5,505
Employee share plan expense	4,581	3,949
Transfer vesting portion of LTI to contributed equity	(440)	(3,326)
Transfer non-vesting portion of LTI to retained earnings	(81)	-
Balance 30 June	<u>10,188</u>	<u>6,128</u>

20 Reserves and accumulated losses (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Foreign currency translation</i>		
Balance 1 July	(12,009)	(8,892)
Currency translation differences arising during the year	(8,045)	(1,780)
Deferred tax	432	-
Currency translation differences arising during the year attributable to non-controlling interest	6,462	(1,337)
Balance 30 June	<u>(13,160)</u>	<u>(12,009)</u>
<i>Transactions with non-controlling interests</i>		
Balance 1 July	<u>(5,127)</u>	<u>(5,127)</u>
Balance 30 June	<u>(5,127)</u>	<u>(5,127)</u>

Accumulated losses

Movements in (accumulated losses) were as follows:

Balance at 1 July	(3,836,959)	(3,605,921)
Profit (loss) attributable to ordinary equity holders of the stapled group	112,467	59,418
Distributions to ordinary equity holders	(389,463)	(324,566)
Transfer of loss attributable to non-controlling interest - Transurban International Limited	28,448	34,110
Transfer non-vesting portion of LTI from share-based payment reserve	81	-
Balance 30 June	<u>(4,085,426)</u>	<u>(3,836,959)</u>

Nature and purpose of reserves

Cash flow hedges

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

Share-based payments

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

Foreign currency translation

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

Transactions with non-controlling interests

The transactions with non-controlling interests reserve was created as a result of the acquisition of an additional 3.75 per cent of the Airport Motorway Group during a prior year as the Group uses the economic entity approach to transactions with non-controlling interests.

21 Distributions

	30 June 2011 \$'000	30 June 2010 \$'000
Distributions payable		
Final distribution payable and recognised as a liability:		
14 cents (2010: 12.0 cents) per fully paid stapled security payable 11 August 2011	<u>202,096</u>	<u>169,760</u>
	202,096	169,760
Distributions paid during the year		
Final distribution for 2010 financial year of 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security paid 27 August 2010	169,760	141,095
Interim distribution for 2011 financial year of 13.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 15 February 2011	<u>187,367</u>	<u>154,806</u>
	357,127	295,901
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2011 and 30 June 2010		
Paid in cash	232,577	230,451
Executive loans - repayments	-	65
Satisfied by issue of Stapled Securities	124,557	65,381
Funds available (from)/for future distribution reinvestment plans	<u>(7)</u>	<u>4</u>
	357,127	295,901

21 Distributions (continued)

Distribution policy and free cash calculation

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

	30 June 2011 \$'000	30 June 2010 \$'000
Cash flows from operating activities	374,691	333,386
Less Westlink M7 Term Loan Note interest received	(36,991)	(32,759)
Add back payments for maintenance of intangibles	<u>18,429</u>	<u>22,396</u>
	356,129	323,023
Less cash flows from operating activities - M1 Eastern Distributor and M4	<u>(53,069)</u>	<u>(72,653)</u>
Controlled cash	303,060	250,370
Add dividends and distributions received		
M1 Eastern Distributor	32,368	43,649
M4 Statewide Roads	4,877	12,994
M5 Interlink	41,000	36,500
Westlink M7 Term Loan Note interest	36,991	32,759
Less allowance for maintenance capital expenditure for CityLink, Hills M2 and Lane Cove Tunnel, and e-Tag expenditure	<u>(23,035)</u>	<u>(20,136)</u>
Free cash	<u>395,261</u>	<u>356,136</u>
One-off items		
Contribution from M4	(4,877)	(12,994)
Corporate advisory costs	-	4,400
Underlying free cash	<u>390,384</u>	<u>347,542</u>
Weighted average securities on issue (millions)	1,438	1,302
Underlying free cash per security (cents) - weighted average securities	27.1	26.7
Free cash per security (cents) - weighted average securities	27.5	27.4
Securities on issue (millions)	1,444	1,415
Underlying free cash per security (cents) - securities on issue	27.0	24.6
Free cash per security (cents) - securities on issue	27.4	25.2
Franking credits		
	30 June 2011 \$'000	30 June 2010 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	282,254	216,076

22 Remuneration of auditors

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

	30 June 2011 \$	30 June 2010 \$
Amounts received or due and receivable by PricewaterhouseCoopers		
<i>Audit and Other Assurance Services</i>		
- Audit and review of financial reports PricewaterhouseCoopers Australia	1,091,000	1,022,000
- Other assurance services PricewaterhouseCoopers Australia	<u>69,887</u>	<u>474,802</u>
Total audit and other assurance services	<u>1,160,887</u>	<u>1,496,802</u>
Total remuneration for PricewaterhouseCoopers	<u>1,160,887</u>	<u>1,496,802</u>
Amounts received or due and receivable by other audit firms for:		
<i>Audit services</i>		
Audit and review of financial report	-	88,400
<i>Other services</i>		
- Other assurance services	-	296,550
- Taxation services	<u>-</u>	<u>95,847</u>
Total remuneration for other audit firms	<u>-</u>	<u>480,797</u>
Total auditors remuneration	<u>1,160,887</u>	<u>1,977,599</u>

The prior year audit fee relates to the amount due to Ernst & Young who were the auditors of Statewide Roads Limited. Other assurance and tax fees are for other services Ernst and Young were engaged for throughout the Group.

23 Contingencies

Contingent liabilities

The Group and parent entity had contingent liabilities at 30 June 2011 in respect of:

Equity guarantee

Transurban DRIVE Holdings LLC (DRIVE), a related party of the Transurban Group, holds a concession agreement with The Commonwealth of Virginia to construct and operate High Occupancy Toll (HOT) lanes on the Capital Beltway (Capital Beltway project), a ring road that runs around Washington DC. The project is currently in the construction phase. Construction is expected to be complete in late 2012 and the tolling concession will operate for 75 years.

On 20 December 2007 (and as amended on 12 June 2008) the Transurban Group, through the entities in the triple staple, being Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited (as responsible entity of the Transurban Holding Trust), entered into an agreement with Capital Beltway Express LLC (Capital Beltway Express), a subsidiary of DRIVE, the Virginia Department of Transportation, Goldman Sachs Capital Markets L.P., Depfa Bank plc and Wells Fargo Bank N.A. to provide an Equity Funding Guarantee (the Guarantee) over all of DRIVE's equity obligations associated with funding the equity contributions to the Capital Beltway project.

The Transurban Group owns 75 per cent of the equity of DRIVE and recognises this investment in the consolidated financial statements using the equity method of accounting. DRIVE holds 90 per cent of the equity in Capital Beltway Express and, from time to time, is required to make equity contributions to Capital Beltway Express to fund the equity component of the Capital Beltway project costs. The total equity contribution DRIVE is obliged to make to Capital Beltway Express is US\$313,825,757, of which US\$159,690,077 had been paid at balance sheet date.

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

Contingent assets

DRIVE capital sum

As a part of the establishment of Transurban DRIVE, DRIVE Holdings LLC agreed to make a "capital sum" compensation payment to Transurban for contributing to DRIVE the right to negotiate the Capital Beltway and I-95.

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

24 Intra-group Guarantees

As at 30 June 2011, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security.

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

25 Commitments

Capital commitments

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

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Property, plant and equipment payable:</i>		
Payable:		
Within one year	14,214	5,490
Later than one year but not later than five years	2,414	-
Later than five years	-	-
	<u>16,628</u>	<u>5,490</u>
<i>Operating commitments payable:</i>		
Within one year	60,631	41,977
Later than one year but not later than five years	95,326	70,093
Later than five years	347,776	307,011
	<u>503,733</u>	<u>419,081</u>
<i>Intangible assets payable:</i>		
Within one year	283,597	35,000
Later than one year but not later than five years	109,442	13,600
	<u>393,039</u>	<u>48,600</u>

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	3,973	4,506
Later than one year but not later than five years	15,247	15,869
Later than five years	1,874	5,232
	<u>21,094</u>	<u>25,607</u>

Sub-lease payments

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

812	1,592
<u>812</u>	<u>1,592</u>

Promissory Notes

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

Concession Notes

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

Other operating leases

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

26 Related party transactions

Transactions with associates

The following transactions occurred with related parties:

	30 June 2011 \$	30 June 2010 \$
<i>Revenue from services</i>		
Operating electronic tolling system for Westlink M7	11,768,736	6,477,365
Business development fees	16,254,993	18,446,959
Consulting fees on refinancing	-	750,000
	<u>28,023,729</u>	<u>25,674,324</u>
<i>Interest earned</i>		
Term Loan Notes	84,565,108	78,879,621
Loans to/from associates		
	30 June 2011 \$	30 June 2010 \$
<i>Term loan notes</i>		
Beginning of the year	678,044,167	633,272,067
Net interest capitalised	46,181,129	44,772,100
	<u>724,225,296</u>	<u>678,044,167</u>
<i>Loans to Transurban DRIVE Holdings LLC</i>		
Beginning of the year	-	10,968,696
Foreign exchange movements	-	(221,202)
Loans repaid	-	(10,747,494)
	<u>-</u>	<u>-</u>
<i>Loans from Transurban DRIVE Holdings LLC</i>		
Beginning of the year	-	(12,799,885)
Foreign exchange movements	-	221,202
Loans repaid	-	12,578,683
	<u>-</u>	<u>-</u>

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

Transactions with director related parties

Refer to note 36 for director related party transactions.

Term loan notes

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

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

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

27 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
CityLink Trust	Australia	Ordinary	100	100
CityLink Melbourne Limited	Australia	Ordinary	100	100
City Link Extension Pty Limited	Australia	Ordinary	100	100
Transurban Infrastructure Management Limited	Australia	Ordinary	100	100
Transurban Limited	Australia	Ordinary	100	100
Transurban Collateral Security Pty Limited	Australia	Ordinary	100	100
Transurban Finance Trust	Australia	Ordinary	100	100
Transurban Finance Company Pty Limited	Australia	Ordinary	100	100
Transurban Nominees Pty Limited	Australia	Ordinary	100	100
Transurban Nominees 2 Pty Limited	Australia	Ordinary	100	100
Transurban WSO Pty Limited	Australia	Ordinary	100	100
Transurban AL Trust	Australia	Ordinary	100	100
Transurban CARS Trust	Australia	Ordinary	100	100
Transurban WSO Trust	Australia	Ordinary	100	100
Roam Tolling Pty Limited	Australia	Ordinary	100	100
Transurban Retail Pty Limited	Australia	Ordinary	100	100
Transurban (USA) Holdings No.1 Pty Limited	Australia	Ordinary	100	100
Transurban (USA) Holdings No.2 Pty Limited	Australia	Ordinary	100	100
Transurban (USA) Holdings No.3 Pty Limited	Australia	Ordinary	100	100
Transurban Asset Management Pty Limited	Australia	Ordinary	100	100
Transurban Operations Pty Limited	Australia	Ordinary	100	100
Transurban Investments Pty Limited	Australia	Ordinary	100	100
The Hills Motorway Limited	Australia	Ordinary	100	100
Hills Motorway Management Limited	Australia	Ordinary	100	100
Hills Motorway Construction Company Pty Limited	Australia	Ordinary	100	100
Hills Motorway Underwriting No.1 Pty Limited	Australia	Ordinary	100	100
Hills Motorway Trust	Australia	Ordinary	100	100
LMI WSO Holding No.2 Pty Limited	Australia	Ordinary	100	100
Abigroup WSO Holding No.2 Pty Limited	Australia	Ordinary	100	100
Abigroup Westlink Partner Holding No.4 Pty Limited	Australia	Ordinary	100	100
Abigroup Westlink Partner No.4 Pty Limited	Australia	Ordinary	100	100
Abigroup WSO Holding No.4 Pty Limited	Australia	Ordinary	100	100
Abigroup Westlink Partner Holding No.2 Pty Limited	Australia	Ordinary	100	100
Abigroup Westlink Partner No.2 Pty Limited	Australia	Ordinary	100	100
LMI Westlink Partner Holding No.4 Pty Limited	Australia	Ordinary	100	100
LMI Westlink Partner No.4 Pty Limited	Australia	Ordinary	100	100
LMI WSO Holding No.4 Pty Limited	Australia	Ordinary	100	100
LMI Westlink Partner Holding No. 2 Pty Limited	Australia	Ordinary	100	100
LMI Westlink Partner No.2 Pty Limited	Australia	Ordinary	100	100
Tollaust Pty Limited	Australia	Ordinary	100	100
Transurban (USA) Inc.	USA	Ordinary	100	100
Transurban (USA) Holdings Inc.	USA	Ordinary	100	100
Transurban (USA) Operations Inc.	USA	Ordinary	100	100
Transurban (895) General Partnership	USA	Ordinary	100	100
T (895) Finance Trust	Australia	Ordinary	100	100
Transurban International Holdings Limited	Bermuda	Ordinary	100	100
Transurban DRIVE Management LLC	USA	Ordinary	100	100
Sydney Roads Limited	Australia	Ordinary	100	100
Sydney Roads Trust	Australia	Ordinary	100	100
Sydney Roads Management Limited	Australia	Ordinary	100	100
Airport Motorway Trust	Australia	Ordinary	75.10	75.10
Airport Motorway Holdings Pty Limited	Australia	Ordinary	75.10	75.10
Airport Motorway Limited	Australia	Ordinary	75.10	75.10
Airport Motorway Construction Company Pty Limited	Australia	Ordinary	75.10	75.10

27 Subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
AMT Management Limited	Australia	Ordinary	100	100
M5 Holdings Funding Trust	Australia	Ordinary	100	100
M5 Holdings Pty Limited	Australia	Ordinary	100	100
M4 Holdings No. 1 Pty Limited	Australia	Ordinary	100	100
Devome Pty Limited	Australia	Ordinary	75	75
Statewide Roads Limited	Australia	Ordinary	50.61	50.61
SWR Services Pty Limited	Australia	Ordinary	50.61	50.61
SWR Engineers Pty Limited	Australia	Ordinary	50.61	50.61
Statewide Roads (M4) Pty Limited	Australia	Ordinary	50.61	50.61
SWR Operations Pty Limited	Australia	Ordinary	50.61	50.61
SWR Properties Pty Limited	Australia	Ordinary	50.61	50.61
Statewide Roads (M2) Pty Limited	Australia	Ordinary	50.61	50.61
SWR Constructors Pty Limited	Australia	Ordinary	50.61	50.61
LCT-MRE Pty Limited	Australia	Ordinary	100	100
LCT-MRE Nominees Pty Limited	Australia	Ordinary	100	100
LCT-MRE Trust	Australia	Ordinary	100	100
LCT-MRE Holdings Trust	Australia	Ordinary	100	100
LCT-MRE Holdings Pty Limited	Australia	Ordinary	100	-
LCT-MRE No.1 Pty Limited	Australia	Ordinary	100	-

28 Parent entity financial information

Summary financial information

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

	30 June 2011 \$'000	30 June 2010 \$'000
Balance sheet		
Current assets	187,020	700,802
Non-current assets	<u>2,374,953</u>	<u>1,971,408</u>
Total assets	<u>2,561,973</u>	<u>2,672,210</u>
 Current liabilities	 149,308	 469,836
Non-current liabilities	<u>1,754,621</u>	<u>1,511,820</u>
Total liabilities	<u>1,903,929</u>	<u>1,981,656</u>
 <i>Shareholders' equity</i>		
Contributed equity	583,896	552,883
Reserves	5,026	2,775
Retained earnings	<u>69,122</u>	<u>134,896</u>
	<u>658,044</u>	<u>690,554</u>
 (Loss) for the year	 <u>(65,774)</u>	 <u>(37,438)</u>
Total comprehensive (loss)	<u>(65,774)</u>	<u>(37,438)</u>

Guarantees entered into by the parent entity

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

Contingent liabilities of the parent entity

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

29 Deed of cross guarantee

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

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

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the years ended 30 June 2011 and 30 June 2010 for the parties to the deed of cross guarantee.

	30 June 2011 \$'000	30 June 2010 \$'000
Income statement		
Revenue	98,352	141,081
Operating costs	(110,842)	(102,462)
Depreciation and amortisation expense	(5,808)	(7,482)
Net finance costs	(79,182)	(68,845)
Loss before income tax	(97,480)	(37,708)
Income tax benefit	37,955	34,506
Profit for the year	(59,525)	(3,202)
Statement of comprehensive income		
Profit (loss) for the year	(59,525)	(3,202)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(59,525)	(3,202)
Summary of movements in consolidated retained earnings		
(Accumulated losses) at the beginning of the financial year	(78,743)	(75,541)
Profit (loss) for the year	(59,525)	(3,202)
Transfer of non-vesting portion of LTI from share-based payment reserve	4	-
Retained earnings at the end of the financial year	(138,264)	(78,743)

29 Deed of cross guarantee (continued)

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2011 and 30 June 2010 for the parties to the deed of cross guarantee.

	30 June 2011 \$'000	30 June 2010 \$'000
Current assets		
Cash and cash equivalents	94,770	516,255
Trade and other receivables	<u>339,137</u>	<u>359,317</u>
Total current assets	<u>433,907</u>	<u>875,572</u>
Non-current assets		
Other financial assets	1,541,621	1,286,015
Property, plant and equipment	173,778	129,178
Deferred tax assets	<u>468,981</u>	<u>410,187</u>
Total non-current assets	<u>2,184,380</u>	<u>1,825,380</u>
Total assets	<u>2,618,287</u>	<u>2,700,952</u>
Current liabilities		
Trade and other payables	1,519,914	1,600,650
Provisions	<u>16,111</u>	<u>15,578</u>
Total current liabilities	<u>1,536,025</u>	<u>1,616,228</u>
Non-current liabilities		
Payables	593,115	597,620
Deferred tax liabilities	36,263	7,961
Provisions	<u>2,226</u>	<u>2,228</u>
Total non-current liabilities	<u>631,604</u>	<u>607,809</u>
Total liabilities	<u>2,167,629</u>	<u>2,224,037</u>
Net assets	<u>450,658</u>	<u>476,915</u>
Equity		
Contributed equity	583,896	552,883
Reserves	5,026	2,775
Retained profits	<u>(138,264)</u>	<u>(78,743)</u>
Total equity	<u>450,658</u>	<u>476,915</u>

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

Where necessary, prior year comparatives have been reclassified for comparative purposes.

30 Events occurring after the balance sheet date

Apart from the refinancing of the debt as disclosed in note 16(d), there are no unusual matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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

	30 June 2011 \$'000	30 June 2010 \$'000
Profit for the year	118,158	59,605
Depreciation and amortisation	289,435	305,051
Non-cash share-based payments expense	4,581	5,159
Non-cash finance costs	44,966	56,827
Share of net losses of equity accounted investments	20,198	20,549
Change in operating assets and liabilities		
Increase in concession and promissory note liability	7,664	16,656
Increase in operating creditors and accruals	15,308	7,130
(Increase) decrease in debtors	(13,815)	8,232
(Increase) in term loan notes	(46,181)	(44,772)
(Decrease) increase in operating provisions	(5,261)	2,817
(Decrease) in maintenance provision	(10,385)	(5,484)
Movement in current tax liabilities and deferred taxes	(49,977)	(98,384)
Net cash inflow (outflow) from operating activities	<u>374,691</u>	<u>333,386</u>

32 Non-cash investing and financing activities

	30 June 2011 \$'000	30 June 2010 \$'000
Distributions satisfied by the issue of stapled securities under the distribution reinvestment plan	<u>124,557</u>	<u>65,381</u>
	<u>124,557</u>	<u>65,381</u>

33 Earnings per stapled security

	30 June 2011 Cents	30 June 2010 Cents
Basic earnings per share		
Earnings per security attributable to the ordinary equity holders of the stapled group	<u>7.8</u>	<u>4.6</u>
	<u>7.8</u>	<u>4.6</u>
Diluted earnings per share		
Earnings per security attributable to the ordinary equity holders of the stapled group	<u>7.8</u>	<u>4.6</u>
	<u>7.8</u>	<u>4.6</u>

33 Earnings per stapled security (continued)

Reconciliations of earnings used in calculating earnings per security

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Basic and diluted earnings per security</i>		
Profit for the year	118,158	59,605
Profit attributable to non-controlling interests	<u>(5,691)</u>	<u>(187)</u>
Profit attributable to ordinary equity holders of the stapled group used in calculating earnings per security	<u>112,467</u>	<u>59,418</u>

Weighted average number of securities used as the denominator

	30 June 2011 Number	30 June 2010 Number
Weighted average number of securities used as the denominator in calculating basic and diluted earnings per security	1,437,820,619	1,301,035,941

Basic earnings per stapled security

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

Diluted earnings per stapled security

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

34 Net tangible asset backing

	30 June 2011 \$'000	30 June 2010 \$'000
Net tangible asset backing per stapled security *	2.59	2.77

(*) - Net tangible assets used as the basis for this calculation include the relative concessions and permits relating to the operational assets of the Group. Assets of this type are characterised as intangibles under AASB 138.

35 Share-based payments

Performance Awards Plan

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

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

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

Grant Date	Vesting / Expiry date	Fair value at grant date (\$)		Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
		TSR	EBIDTA					
2011								
1 Nov 2008	1 Nov 2011	3.30	4.27	1,277,630	-	-	(17,517)	1,260,113
11 Dec 2009	11 Dec 2012	3.33	4.97	1,990,913	-	-	(214,330)	1,776,583
1 Nov 2010	1 Nov 2013	3.23	4.62	-	1,658,614	-	(257,039)	1,401,575
23 Dec 2010	1 Nov 2013	3.33	4.97	-	684,683	-	-	684,683
Total				3,268,543	2,343,297	-	(488,886)	5,122,954

Weighted average exercise price	\$4.01	\$3.99	\$-	\$4.02	\$4.00
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Grant Date	Vesting / Expiry date	Fair value at grant date (\$)		Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
		TSR	EBIDTA					
2010								
1 Nov 2008	1 Nov 2011	3.30	4.27	1,314,288	-	-	(36,658)	1,277,630
11 Dec 2009	11 Dec 2012	3.33	4.97	-	1,990,913	-	-	1,990,913
Total				1,314,288	1,990,913	-	(36,658)	3,268,543

Weighted average exercise price	\$3.79	\$4.15	\$-	\$3.79	\$4.01
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35 Share-based payments (continued)

Executive Equity Plan

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

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

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

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

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2011							
1 Nov 2008	1 Nov 2011	\$4.27	<u>548,650</u>	<u>-</u>	<u>(72,334)</u>	<u>(42,594)</u>	<u>433,722</u>
Total			<u>548,650</u>	<u>-</u>	<u>(72,334)</u>	<u>(42,594)</u>	<u>433,722</u>

Weighted average exercise price	\$4.27	\$-	\$4.27	\$4.27	\$4.27
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Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2008	1 Nov 2011	\$4.27	<u>611,692</u>	<u>-</u>	<u>(2,953)</u>	<u>(60,089)</u>	<u>548,650</u>
Total			<u>611,692</u>	<u>-</u>	<u>(2,953)</u>	<u>(60,089)</u>	<u>548,650</u>

Weighted average exercise price	\$4.27	\$-	\$4.27	\$4.27	\$4.27
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35 Share-based payments (continued)

Grant Date	Vesting / Expiry date	Fair value at grant date (\$)		Balance at start of the year	Granted during the year	Forfeited during the year	Balance at end of the year
		TSR	DRIVE mgt fee	Number	Number	Number	Number
2010							
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	-	-	247,561
Total				247,561	-	-	247,561
Weighted average exercise price				\$4.26	\$-	\$-	\$4.26

Assessed fair value

The assessed fair value at grant date of the plans above has been independently determined in accordance with AASB 2. The TSR component of the Performance Awards has been valued applying a Monte-Carlo simulation (of a geometric Brownian motion process, as used in the Black-Scholes framework) to model Transurban's future security price and TSR performance against the comparator group performance at vesting date. The valuation model takes into account the term of the award, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the award.

Employee security scheme

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

All Australian based permanent employees are eligible to participate in either the Investment Tax Exempt Plan or the Investment Tax Deferred Plan. Under the plans, Transurban provides participants with a matching component toward the acquisition of the stapled securities. For the period 1 July 2010 to 30 June 2011, the cost of company matches was \$304,375 (2010: \$125,517) for the Investment Tax Exempt Plan and \$89,885 (2010: \$nil) for the Investment Tax Deferred Plan. These plans were suspended in May 2009 following changes to taxation announced in the Federal budget. The Group reactivated the Tax Exempt Plan in the year ended 30 June 2010 and has reactivated the Investment Tax Deferred Plan for the 2011 financial year.

The third element under the Plan is the Incentive Plan. Subject to Board approval and the performance of the Group, eligible employees may receive a certain number of Transurban securities at no cost to them. In February 2011, each participant was allocated 100 stapled securities at a value of \$5.26 per security. Stapled securities provided under the Plan were acquired on the open market.

	2011 Number	2010 Number
Shares purchased on the market under the plan and provided to participating employees	42,200	44,800

Expenses arising from share-based payments

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was \$4.6 million (2010: \$5.2million).

36 Key management personnel disclosures

Directors

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

(i) Executive directors

Christopher J Lynch (THL, TIML and TIL)

(ii) Non-executive directors

Lindsay Maxsted (Chairman of THL and TIML from 12 August 2010, Director and Chairman of TIL from 12 August 2010)

David J Ryan (resigned 12 August 2010) (Chairman of THL, TIML and TIL until 12 August 2010)

Neil G Chatfield (THL and TIML)

Geoffrey O Cosgriff (THL and TIML)

Jeremy GA Davis (THL and TIML)

Robert J Edgar (THL and TIML)

Samantha J Mostyn (appointed 8 December 2010) (THL and TIML)

Robert R Officer (appointed 20 August 2010) (THL and TIML)

Rodney Slater (THL and TIML)

Jennifer S Eve (TIL)

James M Keyes (TIL)

Other key management personnel

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

B Bourke (resigned 28 February 2011)

K Daley

M Fletcher (resigned 28 February 2011)

A Head

S Hogg

T Honan

M Kulper

E Mildwater

Chief Operating Officer

President, International Development

Group General Manager, Public Affairs

Group General Manager, New South Wales

Group General Manager, Corporate Services

Chief Financial Officer

President, Transurban North America

Group General Manager, Victoria

Key management personnel compensation

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

	30 June 2011 \$	30 June 2010 \$
Short-term employee benefits	14,169,807	15,074,681
Post-employment benefits	471,700	448,936
Long-term benefits	87,049	110,982
Termination benefits	1,360,993	268,637
Share-based payments	<u>4,135,431</u>	<u>3,374,587</u>
	<u>20,224,980</u>	<u>19,277,823</u>

Detailed remuneration disclosures are made in the directors' report. The relevant information can be found in the remuneration report in the directors' report.

Equity instrument disclosures relating to key management personnel

Share-based payments

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

36 Key management personnel disclosures (continued)

Performance Awards Plan

2011

	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C J Lynch	1,100,932	684,683	-	-	1,785,615	-
Other key management personnel of the Group						
B Bourke	194,515	13,233	(39,204)	(168,544)	-	-
K Daley	178,427	123,441	(33,173)	(45,398)	223,297	-
M Fletcher	82,362	5,761	(4,704)	(83,419)	-	-
A Head	105,859	90,523	(6,273)	(8,584)	181,525	-
S Hogg	70,734	65,835	-	-	136,569	-
T Honan	380,926	164,587	-	-	545,513	-
M Kulper	307,378	170,433	(32,416)	(44,362)	401,033	-
E Mildwater	95,836	90,523	-	-	186,359	-

2010

	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C J Lynch	483,721	617,211	-	-	1,100,932	-
Other key management personnel of the Group						
B Bourke	85,465	109,050	-	-	194,515	-
D Cardiff	46,512	-	-	(46,512)	-	-
K Daley	67,151	111,276	-	-	178,427	-
M Fletcher	34,884	47,478	-	-	82,362	-
A Head	46,512	59,347	-	-	105,859	-
S Hogg	23,256	47,478	-	-	70,734	-
T Honan	232,558	148,368	-	-	380,926	-
M Kulper	145,422	161,956	-	-	307,378	-
E Mildwater	29,070	66,766	-	-	95,836	-

Stapled security holdings

The number of Transurban Group Stapled Securities held during the financial year by each director of Transurban Holdings Limited and other key management personnel of the Group, including their personally-related parties, are set out below.

36 Key management personnel disclosures (continued)

Stapled Securities

2011

	Balance at start of the year	Received during the year via the Executive Equity Plan	Other changes during the year	Balance at end of the year
Directors of the Group				
L P Maxsted	12,000	-	18,000	30,000
D J Ryan *	66,486	-	(66,486)	-
N G Chatfield	20,910	-	-	20,910
G O Cosgriff	144,423	-	7,813	152,236
J G A Davis	158,188	-	-	158,188
R J Edgar	11,836	-	6,791	18,627
S J Mostyn	-	-	-	-
R R Officer	19,089	-	-	19,089
R E Slater	-	-	-	-
J S Eve	-	-	-	-
J M Keyes	-	-	-	-
C J Lynch	254,966	-	435	255,401
Other key management personnel of the Group				
B Bourke *	460,251	-	(460,251)	-
K Daley	384,678	-	-	384,678
M Fletcher *	34,491	-	(34,491)	-
A Head	23,842	-	(2,730)	21,112
S Hogg	15,516	-	100	15,616
T Honan	93,574	-	1,246	94,820
M Kulper	103,944	-	-	103,944
E Mildwater	25,196	-	1,902	27,098

* These individuals are not Key Management Personnel at 30 June 2011, therefore their opening balance has been reduced to zero through "other changes during the year" in the table above.

2010

	Balance at start of the year	Received during the year via the Executive Equity Plan	Other changes during the year	Balance at end of the year
Directors of the Group				
L P Maxsted	-	-	12,000	12,000
D J Ryan	60,945	-	5,541	66,486
N G Chatfield	-	-	20,910	20,910
G O Cosgriff	126,012	-	18,411	144,423
J G A Davis	125,005	-	33,183	158,188
R J Edgar	7,709	-	4,127	11,836
R E Slater	-	-	-	-
J S Eve	-	-	-	-
J M Keyes	-	-	-	-
C J Lynch	233,041	-	21,925	254,966
Other key management personnel of the Group				
B Bourke	460,151	-	100	460,251
D Cardiff	158,477	-	(158,477)	-
K Daley	384,578	-	100	384,678
M Fletcher	33,491	-	1,000	34,491
A Head	23,742	-	100	23,842
S Hogg	22,781	-	(7,265)	15,516
T Honan	85,474	-	8,100	93,574
M Kulper	103,944	-	-	103,944
E Mildwater	24,640	-	556	25,196

36 Key management personnel disclosures (continued)

Executive Equity Plan (EEP)

2011	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C J Lynch	79,647	-	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	19,146	-	(19,146)	-	-	-
K Daley	19,146	-	-	-	19,146	-
M Fletcher	19,146	-	(19,146)	-	-	-
A Head	19,146	-	-	-	19,146	-
S Hogg	15,316	-	-	-	15,316	-
T Honan	85,474	-	-	-	85,474	-
M Kulper	23,944	-	-	-	23,944	-
E Mildwater	19,146	-	-	-	19,146	-

2010	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C J Lynch	79,647	-	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	19,146	-	-	-	19,146	-
D Cardiff	19,146	-	-	(19,146)	-	-
K Daley	19,146	-	-	-	19,146	-
M Fletcher	19,146	-	-	-	19,146	-
A Head	19,146	-	-	-	19,146	-
S Hogg	15,316	-	-	-	15,316	-
T Honan	85,474	-	-	-	85,474	-
M Kulper	23,944	-	-	-	23,944	-
E Mildwater	19,146	-	-	-	19,146	-

Performance Rights Plan

2011	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Other key management personnel of the Group						
B Bourke	92,857	-	(39,204)	(53,653)	-	-
K Daley	78,571	-	(33,173)	(45,398)	-	-
M Fletcher	11,142	-	(4,704)	(6,438)	-	-
A Head	14,857	-	(6,273)	(8,584)	-	-
M Kulper	76,778	-	(32,416)	(44,362)	-	-

2010	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Other key management personnel of the Group						
B Bourke	92,857	-	-	-	92,857	-
D Cardiff	27,428	-	-	(27,428)	-	-
K Daley	78,571	-	-	-	78,571	-
M Fletcher	11,142	-	-	-	11,142	-
A Head	14,857	-	-	-	14,857	-
M Kulper	76,778	-	-	-	76,778	-

36 Key management personnel disclosures (continued)

Other transactions with directors and key management personnel

Mr Rodney Slater is a Partner in the public policy practice group of Patton Boggs. Transurban used Patton Boggs during the year for various lobbying activities in the US. This relationship is based on normal commercial terms.

Mr Lindsay Maxsted is a non-executive director of Westpac Banking Corporation. Westpac provides transactional banking and loan facilities to Transurban. A company with which Mr Maxsted is associated has an alliance agreement with Lazard Pty Limited who provides corporate advisory services to Transurban. Both of these relationships are based on normal commercial terms.

Mr Neil Chatfield is a non-executive director of Seek who provides employment advising services to Transurban. This relationship is based on normal commercial terms.

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

Ms Jennifer Eve is an associate with Appleby. During the year Transurban utilised Appleby for various legal services. These services are based on normal commercial terms.

37 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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

Income taxes

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

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

Useful lives of plant and equipment

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

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

Estimated impairment of intangible assets and cash generating units

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

37 Critical accounting estimates and judgements (continued)

Valuation of Promissory Notes and Concession Notes

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

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

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

Provision for future major maintenance expenditure

The Group records a provision for its present obligation to maintain the Motorways held under Concession Deeds. The provision is included in the financial statements at the present value of expected future payments. The calculations to discount these amounts to their present value are based on the estimated timing and profile of expenditure occurring on the roads.

A discount rate is used to value the maintenance expenditure provision at its present value, which is determined through reference to the nature of the provision and the risks associated with the expenditure.

38 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally by the Transurban Group Treasury team (Treasury) under policies approved by the Board. Treasury work closely with the Group's operating units to actively identify and monitor all financial risks, and put hedging in place where appropriate. The Board are informed on a regular basis of any material exposures to financial risks.

The Group's hedging strategies are detailed below, and include the use of derivative financial instruments. The Group's policies allow derivative transactions to be undertaken only for the purpose of reducing risk, and do not permit speculative trading. Treasury continuously monitor risk exposures over time through review of cash flows, price movements, market analysis and ongoing communication within the Group. When measuring financial risk, Treasury consider positive and negative exposures, existing hedges and the ability to offset exposures where possible.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency exposures are viewed as either investment exposures or operating exposures. Exposures from investment in foreign assets are generally managed using foreign currency debt. All known material operating exposures out to 12 months are hedged, using hedging instruments, offsetting exposures or drawing on foreign currency funds.

The Group's exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises, was as follows:

	30 June 2011	30 June 2010
	USD \$'000	USD \$'000
Cash and cash equivalents	7,068	11,611
Net Investment in foreign operation	209,083	184,744
Borrowings	(1,124,261)	(1,090,163)
Cross-currency interest rate swaps	933,406	933,406
Net exposure	<u>25,296</u>	<u>39,598</u>

Exposure to other foreign exchange movements is not material.

Sensitivity

Based on the financial instruments held at end of the period, had the Australian dollar strengthened/weakened by 10 cents against the U.S. dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$108,000 lower (2010: \$825,000 lower) or \$131,000 higher (2010: \$1,044,000 higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

The Group's post-tax profit is less sensitive to movements in the Australian dollar/US dollar exchange rate in the current year due to an decrease in US dollar cash holdings.

Had the Australian dollar strengthened by 10 cents against the U.S. dollar with all other variables held constant, the Group's equity would have been \$24,286,000 lower (2010: \$40,924,000 lower). Had the Australian dollar weakened by 10 cents against the U.S. dollar with all other variables held constant, the Group's equity would have been \$29,009,000 higher (2010: \$60,922,000 higher). The Group revalues its U.S. dollar borrowings each period using market spot rates and, where a qualifying hedge is in place, defers these movements in equity. The volatility in equity is caused mainly by fair value movements of the cross currency interest rate swaps, which are affected by changes in forward Australian dollar/U.S. dollar foreign exchange rates.

Price risk

The Group is not exposed to price risk.

38 Financial risk management (continued)

Cash flow interest rate risk

The Group's main exposure to interest rate risk arises from long-term borrowings. Treasury manages interest rate risk by entering into fixed rate debt facilities or using interest rate swaps to convert floating rate debt. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100 per cent. Covenant requirements vary by debt facility, and require a minimum of between 50 per cent and 80 per cent of interest rate exposure to be hedged. At 30 June 2011 98 per cent (2010: 99 per cent) of the Group's interest rate exposure on variable rate borrowings was hedged.

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

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	5.3 %	(411,880)	4.6 %	(681,259)
Floating Rate Borrowings	6.2 %	2,680,609	6.1 %	2,387,604
Interest rate swaps (notional principal amount)	5.0 %	<u>(2,619,400)</u>	4.4 %	<u>(2,351,979)</u>
Net exposure to cash flow interest rate risk		<u>(350,671)</u>		<u>(645,634)</u>

An analysis by maturities is provided in Liquidity risk below.

Sensitivity

At 30 June 2011, if interest rates had changed by +/-100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$3,507,000 higher/lower (2010: \$6,456,000 higher/lower). Profit is less sensitive to movements in interest rates in 2011 than 2010, due mainly to an decrease in cash holdings.

Credit risk

The Group has no significant concentrations of credit risk from operating activities, and has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history. However as an operator of large infrastructure assets, the Group is exposed to credit risk with its financial counterparties through undertaking financial transactions intrinsic to its business. These include funds held on deposit, cash investments and the market value of derivative transactions.

Treasury assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. Board approved limit allocation rules ensure higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy counterparties, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

The Group's investment in the Westlink Motorway is through Term Loan Notes (see note 10 for details). The return on these Notes is ultimately dependent on the performance of the Motorway. The Group continually monitors the performance and expected cash flows of the Motorway.

Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. Treasury assesses liquidity over the short term (up to 12 months) and medium term (1 – 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 5 year horizon.

38 Financial risk management (continued)

Financing arrangements

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

	2011 \$'000	2010 \$'000
Floating rate		
- Expiring within one year	-	270,971
- Expiring beyond one year	<u>418,002</u>	<u>230,000</u>
	<u>418,002</u>	<u>500,971</u>

The facilities are committed for the term of the facility and cannot be withdrawn by the bank without notice.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	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 (assets)/ liabilities
At 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	414,832	-	-	-	-	338,957	753,789	464,921
Variable rate	232,994	736,382	431,833	877,284	367,368	733,374	3,379,235	2,680,609
Fixed rate	<u>216,453</u>	<u>93,118</u>	<u>340,347</u>	<u>212,108</u>	<u>397,707</u>	<u>1,372,316</u>	<u>2,632,049</u>	<u>1,558,077</u>
Total non-derivatives	<u>864,279</u>	<u>829,500</u>	<u>772,180</u>	<u>1,089,392</u>	<u>765,075</u>	<u>2,444,647</u>	<u>6,765,073</u>	<u>4,703,607</u>
Derivatives								
Net settled (interest rate swaps)	31,272	24,702	12,313	4,652	(2,500)	(8,675)	61,764	53,732
Net settled (cross-currency interest rate swaps/fx forwards)	<u>19,935</u>	<u>27,172</u>	<u>28,275</u>	<u>57,068</u>	<u>44,475</u>	<u>198,418</u>	<u>375,343</u>	<u>282,107</u>
Total derivatives	<u>51,207</u>	<u>51,874</u>	<u>40,588</u>	<u>61,720</u>	<u>41,975</u>	<u>189,743</u>	<u>437,107</u>	<u>335,839</u>

38 Financial risk management (continued)

At 30 June 2010

	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 (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	355,102	-	-	-	-	313,676	668,778	397,492
Variable rate	183,132	537,122	692,867	264,654	440,126	916,389	3,034,290	2,387,604
Fixed rate	<u>71,790</u>	<u>291,227</u>	<u>98,676</u>	<u>351,097</u>	<u>217,260</u>	<u>1,687,793</u>	<u>2,717,843</u>	<u>1,653,010</u>
Total non-derivatives	<u>610,024</u>	<u>828,349</u>	<u>791,543</u>	<u>615,751</u>	<u>657,386</u>	<u>2,917,858</u>	<u>6,420,911</u>	<u>4,438,106</u>
Derivatives								
Net settled (interest rate swaps)	36,041	30,222	24,612	7,422	5,586	(4,976)	98,907	81,290
Net settled (cross- currency interest rate swaps/fx forwards)	<u>5,426</u>	<u>17,916</u>	<u>9,857</u>	<u>13,234</u>	<u>7,568</u>	<u>(128,922)</u>	<u>(74,921)</u>	<u>(17,668)</u>
Total derivatives	<u>41,467</u>	<u>48,138</u>	<u>34,469</u>	<u>20,656</u>	<u>13,154</u>	<u>(133,898)</u>	<u>23,986</u>	<u>63,622</u>

Fair value measurements

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

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

The Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

38 Financial risk management (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010.

As at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives used for hedging	-	56,303	-	56,303
Total assets	-	56,303	-	56,303
Liabilities				
Derivatives used for hedging	-	392,142	-	392,142
Total liabilities	-	392,142	-	392,142
 As at 30 June 2010	 Level 1 \$'000	 Level 2 \$'000	 Level 3 \$'000	 Total \$'000
Assets				
Derivatives used for hedging	-	80,230	-	80,230
Total assets	-	80,230	-	80,230
Liabilities				
Derivatives used for hedging	-	143,852	-	143,852
Total liabilities	-	143,852	-	143,852

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 48 to 121 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Lindsay P Maxsted
Director



Christopher J Lynch
Director

Melbourne
3 August 2011

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
website: www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

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

Report on the financial report

We have audited the accompanying financial report of Transurban Holdings Limited (the Company), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban Holdings Limited Group (the Group). The Group comprises the aggregation of Transurban Holdings Limited (THL), Transurban Holding Trust (THT) and Transurban International Limited (TIL) and the entities they controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independent auditor's report to the members of Transurban Holdings Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

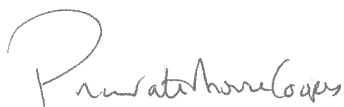
- (a) the financial report of Transurban Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

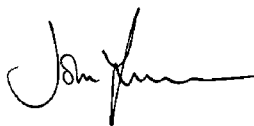
We have audited the Remuneration Report included in pages 22 to 44 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Transurban Holdings Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



John Yeoman
Partner

Melbourne
3 August 2011

Transurban Holding Trust and Controlled Entities

ARSN 098 807 419

Annual financial report for the year ended 30 June 2011

Transurban Holding Trust ARSN 098 807 419

Annual financial report - 30 June 2011

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Directors' report

The directors of Transurban Infrastructure Management Limited ("the Company"), the responsible entity of Transurban Holding Trust, present their report on the consolidated entity consisting of Transurban Holding Trust ("the Trust") and the entities it controlled (collectively "the Group"), for the year ended 30 June 2011.

Transurban Holding Trust forms part of the Transurban Group. The securities of the entities comprising the Transurban Group are stapled. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holding Trust. None of the components of the Stapled Security can be traded separately.

Responsible Entity

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

Directors

With the exception of the changes noted below, the following persons were directors of Transurban Infrastructure Management Limited during the whole of the financial year and up to the date of this report:

Non-executive directors

Lindsay P Maxsted

David J Ryan AO (Resigned 12 August 2010)

Neil Chatfield

Geoffrey O Cosgriff

Jeremy G A Davis AM

Robert J Edgar

Samantha J Mostyn (Appointed 8 December 2010)

Robert R Officer (Appointed 20 August 2010)

Rodney E Slater

Executive directors

Christopher J Lynch

Results

The consolidated net profit for the Group was \$318,384,000 (2010: profit of \$305,502,000). The net profit attributable to ordinary unit holders of the Group for the year was \$306,024,000 (2010: \$294,256,000).

Principal Activities

The principal activities of the Group during the year were the leasing of assets and the provision of funding to the Transurban Group or associates of the Transurban Group.

Distributions

Distributions paid to members during the financial year were as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Distributions proposed		
Final distribution payable and recognised as a liability: 14.0 cents (2010: 12.0 cents) per fully paid Stapled Security payable 11 August 2011	<u>202,096</u>	<u>169,760</u>
	202,096	169,760
Distributions paid during the year		
Final distribution for 2010 financial year of 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security paid 27 August 2010	169,760	141,095
Interim distribution for 2011 financial year of 13.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 15 February 2011	<u>187,367</u>	<u>154,806</u>
Total distributions paid	357,127	295,901
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2011 and 30 June 2010		
Paid in cash	232,577	230,451
Executive loans - repayments	-	65
Satisfied by issue of Stapled Securities	124,557	65,381
Funds available for future distribution reinvestment plans	<u>(7)</u>	<u>4</u>
	357,127	295,901

The distributions are unfranked and have a minimal tax deferred component.

Review of operations

Total revenue for the Group increased by 87.2% to \$412.3 million. The profit for the year was \$318.4 million.

M2 upgrade

On 26 October 2010, Transurban announced that it had reached contractual close with the NSW Government for the \$550.0 million upgrade of the Hills M2 Motorway. Financial close was reached on 19 November 2010 and construction commenced in January 2011.

Under the agreement to upgrade the M2, tolls will increase by approximately 7.7 per cent at construction completion and the concession will be extended four years to 2046. The works will increase capacity on the M2 by increasing the number of traffic lanes and the provision of tolled ramps which will improve traffic flow and accessibility of the motorway.

Refinancing activities

The Group continued to have success in refinancing activities in the year ended 30 June 2011.

August 2010	Raised \$260.0 million of non-recourse project debt to partially fund the acquisition of Lane Cove Tunnel.
November 2010	Refinanced \$465.0 million of non-recourse project debt on the Hills M2 and raised \$275.0 million of additional financing to fund the debt component of the M2 Upgrade project. The refinancing of \$465.0 million replaced financing put in place in May 2009 and was completed on competitive terms in an improved credit market.
July 2011	Refinanced \$520.0 million of non-recourse project debt on the M1 Eastern Distributor.

Significant changes in the state of affairs

On 10 August 2010, the Transurban Group completed the acquisition of the Lane Cove Tunnel and Military Road e-Ramps motorway concession in Sydney, for consideration (including costs) of \$634.6 million. As part of the acquisition, the Transurban Holding Trust Group paid \$348.3 million for its portion of the motorway concession.

Matters subsequent to the end of the financial year

As noted above, on 7 July 2011, the Group completed a refinancing of \$520.0 million of non-recourse project debt for the M1 Eastern Distributor. The refinancing replaces existing \$515.0 million non-recourse debt that was due to mature in July 2012, July 2014 and July 2016.

At the date of this report the directors are not aware of any other circumstances that have arisen since 30 June 2011 that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors of the responsible entity believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

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

Indemnification and Insurance

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

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

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

Fees paid to and interest held in the Trust by the Responsible Entity or its Associates

Fees paid to the Responsible Entity out of Trust property during the year are disclosed in note 28.

No fees were paid to the directors of the Responsible Entity during the year out of Trust property.

Interests in the Group issued during the financial year

	30 June 2011 Number '000	30 June 2010 Number '000
Balance at 1 July	1,414,295	1,281,363
Units issued during the year	<u>28,898</u>	<u>132,932</u>
Balance at 30 June	<u>1,443,193</u>	<u>1,414,295</u>

Value of Assets

	2011 \$'000	2010 \$'000
Value of Group assets at 30 June	<u>10,425,042</u>	<u>9,943,978</u>

The value of the Group's assets is derived using the basis of accounting set out in Note 1 to the financial statements.

Units under option

There are 5,556,676 units of Transurban Holding Trust under share based payment schemes. 2,343,297 units were granted in the current year. 322,401 units were issued on the exercise of the relevant schemes.

Directors' Interests

The directors of the Responsible Entity have disclosed relevant interests in Stapled Securities issued by the Transurban Group as follows:

	Number of Stapled Securities
<i>Non-executive directors</i>	
L P Maxsted	30,000
N G Chatfield	20,910
G O Cosgriff	152,236
J G A Davis	158,188
R J Edgar	18,627
S J Mostyn (appointed 8 December 2010)	-
R R Officer (appointed 20 August 2010)	19,089
R Slater	-
<i>Executive directors</i>	
C J Lynch	255,401

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 131.

Rounding of amounts

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

Auditor

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

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



Lindsay P Maxsted
 Chairman



Christopher J Lynch
 Director

Melbourne
 3 August 2011

PricewaterhouseCoopers
ABN 52 780 433 757

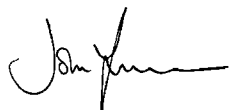
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
website: www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holding Trust for the year ended 30 June 2011, 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 Holding Trust and the entities it controlled during the period.



John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
3 August 2011

Transurban Holding Trust ARSN 098 807 419

Annual financial report - 30 June 2011

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This financial report covers Transurban Holding Trust and its subsidiaries. The financial report is presented in the Australian currency.

Transurban Holding Trust is a Trust registered and domiciled in Australia. Its registered office and principal place of business is:

Transurban Holding Trust
Level 3, 505 Little Collins Street
Melbourne VIC 3000

The financial report was authorised for issue by the directors on 3 August 2011. The directors have the power to amend and reissue the financial report.

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

Transurban Holding Trust
Consolidated income statement
For the year ended 30 June 2011

		30 June 2011 \$'000	30 June 2010 \$'000
	Notes		
Revenue	4	412,341	220,219
Other income	5	74,374	101,857
Administration costs		(3,949)	(3,403)
Promissory notes		(1,280)	(919)
Construction costs		(160,751)	-
		<u>(165,980)</u>	<u>(4,322)</u>
Profit before depreciation and amortisation, net finance costs, equity accounted investments and tax		<u>320,735</u>	<u>317,754</u>
Depreciation and amortisation expense	6	(106,745)	(92,106)
Finance income		444,162	403,641
Finance costs		(337,062)	(322,142)
Net finance income	7	<u>107,100</u>	<u>81,499</u>
Share of net profits (losses) of equity accounted investments	12	-	-
Profit before income tax		<u>321,090</u>	<u>307,147</u>
Income tax expense	8	(2,706)	(1,645)
Profit for the year		<u>318,384</u>	<u>305,502</u>
Profit is attributable to:			
Owners of Transurban Holding Trust		306,024	294,256
Non-controlling interest		<u>12,360</u>	<u>11,246</u>
		<u>318,384</u>	<u>305,502</u>
		Cents	Cents
Earnings per unit for profit attributable to the ordinary unit holders:			
Basic earnings per unit	34	21.3	22.6
Diluted earnings per unit	34	21.3	22.6

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

Transurban Holding Trust
Consolidated statement of comprehensive income
For the year ended 30 June 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Profit for the year	318,384	305,502
Other comprehensive income/(loss)		
Changes in the fair value of cash flow hedges, net of tax	<u>(4,263)</u>	<u>(3,355)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>(4,263)</u>	<u>(3,355)</u>
Total comprehensive income for the year	<u>314,121</u>	<u>302,147</u>
Total comprehensive income for the year is attributable to:		
Owners of Transurban Holding Trust	301,362	291,570
Non-controlling interest	<u>12,759</u>	<u>10,577</u>
	<u>314,121</u>	<u>302,147</u>

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

Transurban Holding Trust
Consolidated balance sheet
As at 30 June 2011

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	11,036	4,177
Trade and other receivables	10	212,642	569,227
Derivative financial instruments	14	913	257
Total current assets		<u>224,591</u>	<u>573,661</u>
Non-current assets			
Receivables	11	6,364,880	5,981,577
Term loan notes	13	724,225	678,044
Derivative financial instruments	14	750	3,172
Deferred tax assets	15	1,764	988
Intangible assets	16	3,108,832	2,706,536
Total non-current assets		<u>10,200,451</u>	<u>9,370,317</u>
Total assets		<u>10,425,042</u>	<u>9,943,978</u>
LIABILITIES			
Current liabilities			
Trade and other payables	17	192,540	161,855
Derivative financial instruments	14	754	2,667
Current tax liabilities		235	1,516
Provisions	19	231,493	197,478
Other liabilities	20	33,287	-
Total current liabilities		<u>458,309</u>	<u>363,516</u>
Non-current liabilities			
Borrowings	18	4,522,642	4,142,699
Derivative financial instruments	14	14,666	10,257
Other liabilities	20	19,720	16,645
Total non-current liabilities		<u>4,557,028</u>	<u>4,169,601</u>
Total liabilities		<u>5,015,337</u>	<u>4,533,117</u>
Net assets		<u>5,409,705</u>	<u>5,410,861</u>
UNIT HOLDERS' FUNDS			
Issued units	21	7,188,221	7,103,500
Reserves	22	(6,839)	(3,985)
Accumulated losses	22	(1,814,990)	(1,731,625)
Non-controlling interests		<u>43,313</u>	<u>42,971</u>
Total unit holders' funds		<u>5,409,705</u>	<u>5,410,861</u>

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

Transurban Holding Trust
Consolidated statement of changes in equity
For the year ended 30 June 2011

	Notes	Attributable to members of Transurban Holding Trust			Non- controlling interests \$'000	Total unit holders' funds \$'000
		Issued units \$'000	Reserves \$'000	Accumulated losses \$'000		
Balance at 1 July 2009		6,692,365	(330)	(1,701,315)	44,007	5,034,727
Comprehensive income						
Profit (loss) for the year	22	-	-	294,256	11,246	305,502
Other comprehensive income	22	-	(2,686)	-	(669)	(3,355)
Total comprehensive income		-	(2,686)	294,256	10,577	302,147
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	21	360,002	-	-	-	360,002
Treasury units	21	6,673	-	-	-	6,673
Distribution reinvestment plan	21	44,460	-	-	-	44,460
Change in value of share-based payment reserve	22	-	(969)	-	-	(969)
Distributions provided for or paid		-	-	(324,566)	-	(324,566)
Distributions paid to non-controlling interest		-	-	-	(11,613)	(11,613)
		<u>411,135</u>	<u>(969)</u>	<u>(324,566)</u>	<u>(11,613)</u>	<u>73,987</u>
Balance at 30 June 2010		<u>7,103,500</u>	<u>(3,985)</u>	<u>(1,731,625)</u>	<u>42,971</u>	<u>5,410,861</u>
Balance at 1 July 2010		7,103,500	(3,985)	(1,731,625)	42,971	5,410,861
Comprehensive income						
Profit (loss) for the year	22	-	-	306,024	12,360	318,384
Other comprehensive income	22	-	(4,662)	-	399	(4,263)
Total comprehensive income		-	(4,662)	306,024	12,759	314,121
Transactions with owners in their capacity as owners:						
Treasury units	21	68	-	-	-	68
Distribution reinvestment plan	21	84,691	-	-	-	84,691
Change in value of share-based payment reserve	22	(38)	1,808	74	-	1,844
Distributions provided for or paid		-	-	(389,463)	-	(389,463)
Distributions paid to non-controlling interest		-	-	-	(12,417)	(12,417)
		<u>84,721</u>	<u>1,808</u>	<u>(389,389)</u>	<u>(12,417)</u>	<u>(315,277)</u>
Balance at 30 June 2011		<u>7,188,221</u>	<u>(6,839)</u>	<u>(1,814,990)</u>	<u>43,313</u>	<u>5,409,705</u>

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

Transurban Holding Trust
Consolidated statement of cash flows
For the year ended 30 June 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Notes		
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	239,395	224,026
Payments to suppliers (inclusive of GST)	(6,857)	(409)
Interest received	122,005	187,769
Interest paid	(275,088)	(257,962)
Income taxes paid	(4,654)	(3,641)
Net cash inflow from operating activities	32 <u>74,801</u>	<u>149,783</u>
Cash flows from investing activities		
Payments for intangible assets	(480,741)	-
Payment for settlement of CityLink Concession Notes	<u>-</u>	(61,795)
Net cash outflow from investing activities	<u>(480,741)</u>	<u>(61,795)</u>
Cash flows from financing activities		
Proceeds from issues of units, net of costs	-	368,830
Proceeds from sale of treasury units, net of costs	67	3,489
Proceeds from borrowings, net of costs	775,803	500,292
Repayment of borrowings	(465,000)	(515,500)
Loans to/from related parties	(240,547)	(429,403)
Repayment of loans to/from related parties	585,786	204,956
Distributions paid to Transurban Group's security holders	23 (232,577)	(230,451)
Distributions paid to non-controlling interests in subsidiaries	<u>(10,733)</u>	(14,442)
Net cash inflow (outflow) from financing activities	<u>412,799</u>	<u>(112,229)</u>
Net increase (decrease) in cash and cash equivalents	6,859	(24,241)
Cash and cash equivalents at the beginning of the financial year	<u>4,177</u>	28,418
Cash and cash equivalents at end of year	9 <u>11,036</u>	<u>4,177</u>

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

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1 Summary of significant accounting policies

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

The financial report includes the consolidated entity consisting of the Transurban Holding Trust and its subsidiaries (the Group).

(a) Basis of preparation

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

The Group's current liabilities exceed its current assets by \$233.7 million as at 30 June 2011. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal operations, as the Group is trading profitably and has continually been able to refinance maturing debt. In addition, at 30 June 2011 the Transurban Group has available a total of \$410.8 million of unused working capital facilities.

Where necessary, comparatives have been reclassified for consistency with current year disclosures.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Transurban Holding Trust also comply with IFRS as issued by the International Accounting Standards Board.

Early adoption of standards

The Group has not elected to adopt any new accounting standards early.

Historical cost convention

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

Rounding of amounts

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

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Transurban Holding Trust.

Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control. Interests in joint ventures are where the Group jointly controls an entity with another party (refer to note 12).

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests

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

(c) Segment reporting

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

(d) Revenue recognition

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

Revenue is recognised in the major business activities as follows:

- Rental revenue - Rental revenue is recognised as earned in accordance with the lease contract.
- Interest income - Interest income is recognised on a time proportionate basis using the effective interest method.
- Distribution revenue - Distribution revenue is recognised when the Trust's right to receive payment is established.

(e) Income tax

Pursuant to the provisions of the Income Tax Legislation, Trusts are not liable to income tax provided that its taxable income (including assessable realised capital gains) is fully distributed to unit holders.

Income tax is brought to account in the financial statements to the extent it relates to companies in the Group. The income tax expense or benefit for the period is the tax payable or benefit on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

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

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

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

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

(f) Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Trust. 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 Trust 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 Trust's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

(h) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, 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 and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets

Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (current) and in receivables (non-current) in the balance sheet (see note 10 and note 11).

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

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An impairment allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the impairment allowance is recognised in the income statement.

Held-to-maturity investments (term loan notes)

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

Recognition and derecognition

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

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

Subsequent measurement

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

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

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

Impairment

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

(k) Derivatives and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

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

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

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

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 the hedge accounting are recognised immediately in the income statement.

1 Summary of significant accounting policies (continued)

(l) Intangible assets

Concession Assets

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

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

(m) Financial liabilities

Trade and other payables

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

Concession and promissory notes

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using an effective interest method.

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

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Borrowing costs

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

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

(p) Provisions

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

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

Provision for distribution

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

1 Summary of significant accounting policies (continued)

(q) Contributed equity

Units in the Trust are classified as equity.

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

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

(r) Parent entity financial information

The financial information for the parent entity, Transurban Holding Trust, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Transurban Holding Trust. 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.

(s) 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 consolidated 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.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments*, *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* and *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 July 2013 but is available for early adoption.

Management are in the process of assessing the impact on financial assets but do not believe this will be significant.

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

(ii) *Revised AASB 124 Related Party Disclosures* and *AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 July 2011)

In December 2009 the AASB issued a revised *AASB 124 Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011 and will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

1 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

(iii) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2011. Management continue to assess the impact of AASB 2010-3 and AASB 2010-4 and does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Transurban Holding Trust is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Group.

(v) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures.

2 Trust formation and termination

The Transurban Holding Trust was established on 15 November 2001. The Trust was due to terminate on 20 December 2081 unless terminated earlier. However, amendments made to the Trust Deed have extended the Trust to perpetuity.

The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 28 November 2001.

3 Segment information

Business segment

Management has determined that Transurban Holding Trust has one operating segment, based on the review and management of the consolidated Group.

Transurban Holding Trust 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 operating segment.

4 Revenue

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Rental income	(a)	251,385	219,952
Construction revenue	(b)	160,751	-
Other revenue		205	267
Total revenue		412,341	220,219

(a) Rental income

Rental income is derived from property held by the Group and is recognised in the income statement in accordance with the lease contract.

(b) Construction revenue

Construction revenue is recognised during the construction phase of an intangible asset.

It should be noted that construction revenue is offset by an equal expense. This presentation is a requirement of AASB-112 Service Concession Arrangements, and does not have a net effect on the income statement for the Group.

5 Other income

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Concession notes	(a)	24,115	23,087
Re-measurement of concession notes	(b)	50,259	78,770
		74,374	101,857

(a) Concession notes

Income from concession notes relates to the CityLink concession notes, following agreements reached with the State of Victoria and Vic Roads. Under the agreements, the Group paid a total of \$765 million to reassign all current and future concession notes incurred under the provisions of the Melbourne CityLink Concession Deed to Transurban Holding Trust. The Group recognises income as additional notes are issued by CityLink Melbourne Limited semi-annually.

(b) Re-measurement of concession notes

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

6 Expenses

	30 June 2011 \$'000	30 June 2010 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense - operating cost	106,745	92,106
	106,745	92,106

7 Net finance income

	30 June 2011 \$'000	30 June 2010 \$'000
Finance income		
Interest income from related parties	443,674	403,287
Other interest income	<u>488</u>	<u>354</u>
Total finance income	<u>444,162</u>	<u>403,641</u>
Finance costs		
Interest and finance charges paid/payable	(327,069)	(315,511)
Net foreign exchange losses	(8,385)	(1,877)
Net movement in promissory note payable	<u>(1,608)</u>	<u>(4,754)</u>
Total finance costs	<u>(337,062)</u>	<u>(322,142)</u>
Net finance income	<u>107,100</u>	<u>81,499</u>

8 Income tax expense

	30 June 2011 \$'000	30 June 2010 \$'000
Income tax expense		
Current tax	3,480	3,184
Deferred tax	(776)	(1,537)
Under/(Over) provided in prior years	<u>2</u>	<u>(2)</u>
	<u>2,706</u>	<u>1,645</u>
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	(860)	(1,619)
(Decrease) increase in deferred tax liabilities	<u>84</u>	<u>82</u>
	<u>(776)</u>	<u>(1,537)</u>
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	<u>321,090</u>	<u>307,147</u>
Tax at the Australian tax rate of 30% (2010 - 30%)	96,327	92,144
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Trust income not subject to tax	<u>(93,623)</u>	<u>(90,497)</u>
	<u>2,704</u>	<u>1,647</u>
Under/(Over) provided in prior years	<u>2</u>	<u>(2)</u>
Income tax expense	<u>2,706</u>	<u>1,645</u>

9 Current assets - Cash and cash equivalents

	30 June 2011 \$'000	30 June 2010 \$'000
Cash at bank and in hand	<u>11,036</u>	<u>4,177</u>
	11,036	4,177

All cash balances are interest bearing.

10 Current assets - Trade and other receivables

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Loans to related parties	(a)	210,633	568,063
Prepayments	(b)	1,352	1,164
Other receivables		<u>657</u>	<u>-</u>
		212,642	569,227

No class within trade and other receivables contain impaired or past due assets. Based on the credit history, it is expected these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(a) Loans to related parties

Loans to related parties predominantly represent interest and finance charges on funds loaned from Transurban Finance Company, distributions receivable from its subsidiaries and accrued interest from a related party. There is no allowance for doubtful debts as the counterparties are related parties.

(b) Prepayments

Prepayments relate to expenses that have been paid but not yet incurred as at 30 June 2011.

11 Non-current assets - Receivables

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Concession notes	(a)	554,341	479,967
Loans to related parties		<u>5,810,539</u>	<u>5,501,610</u>
		6,364,880	5,981,577

None of the non-current receivables are impaired or past due but not impaired.

(a) Concession notes

The Group reached agreements with the State of Victoria and Vic Roads, under which the Group paid \$765 million to the State to reassign all current and future concession notes incurred under the provisions of the Melbourne CityLink Concession Deed to Transurban Holding Trust.

12 Equity accounted investments

Name of company	Ownership interest		Carrying amount	
	30 June 2011 %	30 June 2010 %	30 June 2011 \$'000	30 June 2010 \$'000
Westlink M7:				
Westlink Motorway Limited	50	50	-	-
WSO Finance Pty Limited	50	50	-	-
Westlink Motorway Partnership	50	50	-	-
			<u>-</u>	<u>-</u>

Each of the above is a member of the Westlink Motorway Group, established to invest in, construct and operate the Westlink M7 toll road in Sydney. Westlink M7 holds the right to toll the road for 34 years until February 2037. All were incorporated in Australia.

Westlink Motorway Limited is the nominee manager of the Westlink Motorway Partnership and is carried at \$90.

WSO Finance Pty Limited is the financier of the Westlink M7 toll road and is carried at \$90.

Westlink Motorway Partnership was responsible for the construction of the Westlink M7 Motorway in Sydney. The M7 opened for operation on 16 December 2005.

Summarised financial information of associates

	Ownership Interest %	Group's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(loss) \$'000
2011					
Westlink M7	50	<u>702,292</u>	<u>(876,307)</u>	<u>57,316</u>	<u>(26,128)</u>
		<u>702,292</u>	<u>(876,307)</u>	<u>57,316</u>	<u>(26,128)</u>
2010					
Westlink M7	50	<u>714,035</u>	<u>(869,990)</u>	<u>54,573</u>	<u>(23,779)</u>
		<u>714,035</u>	<u>(869,990)</u>	<u>54,573</u>	<u>(23,779)</u>

12 Equity accounted investments (continued)

	Westlink M7	
	30 June 2011 \$'000	30 June 2010 \$'000
Movements in carrying amounts		
Balance at 1 July	-	-
Share of losses after income tax	-	-
Additional investment acquired	-	-
Balance at 30 June	-	-
Share of profits or losses		
Loss before income tax	-	-
	-	-
Losses not recognised		
Balance at 1 July	100,440	76,661
Unrecognised losses for the year	26,128	23,779
Balance at 30 June	126,568	100,440

Share of associates' expenditure commitments

As at the reporting date, there are no expenditure commitments.

Contingent liabilities of associates

As at reporting date, there are no contingent liabilities.

13 Non-current assets - Term loan notes

	30 June 2011 \$'000	30 June 2010 \$'000
Term Loan Notes	724,225	678,044
	<u>724,225</u>	<u>678,044</u>

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

The interest rate charged on these notes is 11.93 per cent and any unpaid interest capitalises into additional notes. During the year ended 30 June 2011 the Group capitalised interest of \$46.2 million (2010: \$44.8 million). The TLN's are accounted for as held-to-maturity investments.

Impairment and risk exposure

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

14 Derivative financial instruments

	30 June 2011 \$'000	30 June 2010 \$'000
Current assets		
Interest rate swap contracts - cash flow hedges	<u>913</u>	<u>257</u>
Total current derivative financial instrument assets	<u>913</u>	<u>257</u>
Non-current assets		
Interest rate swap contracts - cash flow hedges	<u>750</u>	<u>3,172</u>
Total non-current derivative financial instrument assets	<u>750</u>	<u>3,172</u>
 Total derivative financial instrument assets	 <u>1,663</u>	 <u>3,429</u>
Current liabilities		
Interest rate swap contracts - cash flow hedges	<u>754</u>	<u>2,667</u>
Total current derivative financial instrument liabilities	<u>754</u>	<u>2,667</u>
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	<u>14,666</u>	<u>10,257</u>
Total non-current derivative financial instrument liabilities	<u>14,666</u>	<u>10,257</u>
 Total derivative financial instrument liabilities	 <u>15,420</u>	 <u>12,924</u>

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies. (refer to note 37).

Interest rate swap contracts - cash flow hedges

The Group uses interest rate swap contracts for hedging purposes to convert variable rate borrowings to fixed interest. Variable rate borrowings of the Group currently bear an average interest rate of 7.2 per cent (2010: 7.5 per cent). It is policy to protect part or all of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

Swaps taken out by the Group cover 98 per cent (2010: 100 per cent) of long term variable debt excluding working capital facilities. The average all-in rate after hedging on the hedged portion of the Group's variable rate borrowings is 7.5 per cent (2010: 8.2 per cent).

The contracts require settlement of net interest receivable or payable. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in income immediately. There was no ineffectiveness recognised in the current or prior period.

15 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
The balance comprises temporary differences attributable to:						
Current and prior year losses	3,072	2,212	-	-	3,072	2,212
Receivables	-	-	(1,308)	(1,224)	(1,308)	(1,224)
Tax assets/(liabilities)	3,072	2,212	(1,308)	(1,224)	1,764	988
Set off of tax	(1,308)	(1,224)	1,308	1,224	-	-
Net tax assets/(liabilities)	1,764	988	-	-	1,764	988
Movements:						
Opening balance at 1 July	2,212	1,204	(1,224)	(1,140)	988	64
Credited/(charged) to the consolidated income statement	860	1,619	(84)	(84)	776	1,535
Tax losses utilised	-	(611)	-	-	-	(611)
Closing balance at 30 June	3,072	2,212	(1,308)	(1,224)	1,764	988
Deferred tax assets to be recovered after more than 12 months	3,072	2,212	(1,308)	(1,224)	1,764	988
	3,072	2,212	(1,308)	(1,224)	1,764	988

16 Non-current assets - Intangible assets

	CityLink \$'000	Hills M2 Motorway \$'000	Lane Cove Tunnel \$'000	Assets under construction \$'000	Total \$'000
At 1 July 2009					
Cost	1,207,442	2,116,141	-	-	3,323,583
Accumulated amortisation	(216,531)	(308,410)	-	-	(524,941)
Net book amount	<u>990,911</u>	<u>1,807,731</u>	<u>-</u>	<u>-</u>	<u>2,798,642</u>
Year ended 30 June 2010					
Opening net book amount	990,911	1,807,731	-	-	2,798,642
Amortisation charge	(37,632)	(54,474)	-	-	(92,106)
Closing net book amount	<u>953,279</u>	<u>1,753,257</u>	<u>-</u>	<u>-</u>	<u>2,706,536</u>
At 30 June 2010					
Cost	1,207,442	2,116,141	-	-	3,323,583
Accumulated amortisation	(254,163)	(362,884)	-	-	(617,047)
Net book amount	<u>953,279</u>	<u>1,753,257</u>	<u>-</u>	<u>-</u>	<u>2,706,536</u>
Year 30 June 2011					
Opening net book amount	953,279	1,753,257	-	-	2,706,536
Additions	-	-	348,290	160,751	509,041
Amortisation charge	(40,475)	(54,530)	(11,740)	-	(106,745)
Closing net book amount	<u>912,804</u>	<u>1,698,727</u>	<u>336,550</u>	<u>160,751</u>	<u>3,108,832</u>
At 30 June 2011					
Cost	1,207,442	2,116,141	348,290	160,751	3,832,624
Accumulated amortisation	(294,638)	(417,414)	(11,740)	-	(723,792)
Net book amount	<u>912,804</u>	<u>1,698,727</u>	<u>336,550</u>	<u>160,751</u>	<u>3,108,832</u>

Description of intangible assets

Concession assets

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

CityLink Concession Asset

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

Hills M2 Concession Asset

Transurban has the right to toll the Hills M2 Motorway until 2046. The Concession Deed also requires Transurban to maintain the Motorway.

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

16 Non-current assets - Intangible assets (continued)

Lane Cove Tunnel

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

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

Assets under construction

The Group is currently undertaking an upgrade of the Hills M2 Motorway. Construction on the M2 upgrade commenced in January 2011. This will be transferred to the intangible asset upon completion.

Impairment testing

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

Key assumptions used for calculating the recoverable amount

The Group makes assumptions in calculating the recoverable amount of its cash generating units. These include assumptions around expected traffic flows and forecast operational costs. In performing the calculations the Group has applied a discount rate ranging from 8.8 to 11.0 per cent (2010: 8.8 per cent), representing the implied discount rate applicable to the risk profile of the Group's assets, to discount the forecast future attributable cash flows. In determining future cash flows, the Group has also applied rates of growth to underlying operating assumptions to reflect the expected performance of the assets beyond the budget period in accordance with the respective concessions. The operating costs have been escalated in line with a combination of CPI and Average Weekly Earnings (AWE) forecasts. A long term CPI rate of 2.5 per cent (2010: 2.5 per cent) and AWE of 4.0 per cent (2010: 4.0 per cent) have been used.

17 Current liabilities - Trade and other payables

	30 June 2011 \$'000	30 June 2010 \$'000
Trade payables and accruals	18,613	8,050
Related party payables	<u>173,927</u>	<u>153,805</u>
	<u>192,540</u>	<u>161,855</u>

18 Borrowings

	30 June 2011 \$'000	30 June 2010 \$'000
Notes		
Term debt	(a) 1,286,769	964,507
Loans from related parties	(b) <u>3,235,873</u>	<u>3,178,192</u>
	<u>4,522,642</u>	<u>4,142,699</u>

18 Borrowings (continued)

(a) Term debt

The term debt facilities are comprised of:

- \$515.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust). The facility has deferred borrowing costs of \$6.3 million.
- \$740.0 million facility entered into by Hills Motorway Management Limited (as trustee for Hills Motorway Trust). The facility has deferred borrowing costs of \$9.1 million.
- \$260.0 million facility entered into by LCT-MRE Nominees Pty Limited (as trustee for LCT-MRE Trust). The facility has deferred borrowing costs of \$1.7 million.

The Airport Motorway facility was refinanced in July 2009 and is fully secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets. The facility is a non-recourse syndicated facility with terms of three years (\$195.0 million), five years (\$260.0 million) and seven years (\$60.0 million). The current floating interest rate applicable to the facility is 4.89 per cent (2010: 7.6 per cent). The facility is fully hedged to an all-in rate after hedging of 8.4 per cent.

On 7 July 2011, the above facilities were refinanced and replaced with \$520.0 million of non-recourse project debt maturing in July 2014 (\$295.0 million) and July 2018 (\$225.0 million).

The Hills M2 facility was refinanced in November 2010 and is fully secured against the respective rights of Hills Motorway Limited and Hills Motorway Trust and their assets. The total facility is a non-recourse syndicated facility totalling \$740.0 million. The financing is comprised of: the refinancing of \$465.0 million of existing debt with terms of four years (\$400.0 million) and six years (\$65.0 million); and a new construction capex facility of \$275.0 million with a term of six years. As at 30 June 2011, \$64.1 million was drawn under the construction capex facility. The facility is currently 95.8 per cent hedged with an all-in rate after hedging of 6.8 per cent.

The Lane Cove Tunnel facility was established in August 2010 to partially finance the acquisition of the Lane Cove Tunnel and is fully secured against the respective rights of LCT-MRE Pty Limited and LCT-MRE Trust and their assets. This facility is a non-recourse syndicated facility with a term of three years. The current floating rate applicable to the facility is 4.9 per cent. The facility is fully hedged to an all-in rate after hedging of 7.0 per cent.

(b) Loans from related parties

The Group receives funding from a related party, Transurban Finance Company Pty Limited, which is used to finance its activities.

Covenants

The Transurban Group's debt has the following Interest Coverage Ratio ("ICR") covenants:

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

In addition, the Transurban Group has a market capitalisation clause where gearing must not exceed 60 per cent. Based on the balance sheet at 30 June 2011, the Transurban Group's Security price would need to close below \$2.17 per Security for 20 consecutive business days to trigger this clause.

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

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

19 Current liabilities - Provisions

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Distribution to security holders	(a)	202,146	169,816
Distribution to non-controlling interests in subsidiaries	(a)	<u>29,347</u>	<u>27,662</u>
		<u>231,493</u>	<u>197,478</u>

(a) Distributions to security holders and non-controlling interests

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

Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Distribution to security holders \$'000	Distribution to non- controlling interests in subsidiaries \$'000
2011		
Carrying amount at start of year	169,816	27,662
Provision recognised	389,463	12,416
Amounts paid / utilised during the year	<u>(357,133)</u>	<u>(10,731)</u>
Carrying amount at end of year	<u>202,146</u>	<u>29,347</u>

20 Other liabilities

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Current			
Unearned income (related parties)	(a)	<u>33,287</u>	<u>-</u>
		<u>33,287</u>	<u>-</u>
Non-current			
Promissory notes	(b)	<u>19,720</u>	<u>16,645</u>
		<u>19,720</u>	<u>16,645</u>
Total other liabilities		<u>53,007</u>	<u>16,645</u>

(a) Unearned income

Unearned income related to rental income received in advance from a related party.

20 Other liabilities (continued)

(b) Promissory notes

The Hills Motorway Trust has entered into leases with the Roads and Traffic Authority of New South Wales (RTA). Annual lease liabilities under these leases total \$7.0 million, indexed annually to CPI 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 Responsible Entity of the Trust, by means of the issue of non-interest bearing Promissory Notes to the RTA.

Promissory Notes are recognised at the present value of expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of the M2 Motorway, the present value of the expected future repayments is determined using a discount rate of 12 per cent (2010: 12 per cent) which recognises their subordinated nature.

The face value of Promissory Notes on issue at 30 June 2011 is \$126.5 million (2010: \$116.2 million). The net present value at 30 June 2011 of the redemption payments relating to these Promissory Notes is \$19.7 million (2010: \$16.6 million).

21 Issued units

The issued units of the Trust are a component of a parcel of stapled securities, each parcel comprising one share in Transurban Holdings Limited, one unit in Transurban Holding Trust and one share in Transurban International Limited.

The individual securities comprising a parcel of stapled securities cannot be traded separately.

	2011 \$'000	2010 \$'000
Issued units		
Ordinary units fully paid	<u>7,188,221</u>	<u>7,103,500</u>
	<u>7,188,221</u>	<u>7,103,500</u>
	2011 Number '000	2010 Number '000
Issued units		
Ordinary units fully paid	<u>1,443,193</u>	<u>1,414,295</u>
	<u>1,443,193</u>	<u>1,414,295</u>

Units in trust

The number of units on issue is 1,443,543,731 (2010: 1,414,667,986). The difference of 351,075 (2010: 373,804) relates to treasury securities.

Units entitle the holder to participate in distributions and the winding up of Transurban Holding Trust in proportion to the number of and amounts paid on the units held. On a show of hands every holder of units present at a meeting in person or by proxy is entitled to one vote.

All units issued form part of the Transurban Group stapled securities issued. The amounts above represent the value apportioned to Transurban Holding Trust, with the remaining value apportioned to Transurban Holdings Limited and Transurban International Limited.

21 Issued units (continued)

Capital risk management

The Transurban Group is subject to a gearing ratio covenant imposed by Senior Secured lenders. The Group monitors capital on the basis of the gearing ratio to ensure compliance with the covenant. There have been no breaches of the covenant. For further information refer to note 18.

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

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

Movements in issued units

Details	Notes	Number of units '000	\$'000
Opening balance at 1 July 2009		1,281,363	6,692,365
Distribution reinvestment plan	(a)	14,069	44,460
Purchase, disposal and vesting of treasury units	(b)	946	6,673
Rights issue, net of transaction costs	(c)	117,917	360,002
Closing balance at 30 June 2010		<u>1,414,295</u>	<u>7,103,500</u>
Opening balance at 1 July 2010		1,414,295	7,103,500
Distribution reinvestment plan	(a)	28,876	84,691
Purchase, disposal and vesting of treasury units	(b)	22	68
Transfer vesting portion of LTI from share based payment reserve		-	420
Purchase of Performance Rights Plan units		-	(458)
Closing balance at 30 June 2011		<u>1,443,193</u>	<u>7,188,221</u>

(a) Distribution reinvestment plan

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

(b) Treasury Units

Stapled Securities (including units in the Trust) were issued to executives under Share-based Payment Plans. The stapled securities are held by the executive but will only vest in the executive in accordance with the terms of the plans. The acquired securities cannot be transferred or sold prior to vesting date. On forfeit the securities are sold on market.

(c) Rights issue

On 10 June 2010, the Transurban Group raised \$542.4 million via an equity raising, issuing 117.9 million stapled securities. The Group's share was \$360.0 million.

22 Reserves and accumulated losses

	30 June 2011 \$'000	30 June 2010 \$'000
Reserves		
Cash flow hedges	(12,001)	(7,339)
Share-based payments	<u>5,162</u>	<u>3,354</u>
	<u>(6,839)</u>	<u>(3,985)</u>

Movements:

<i>Cash flow hedges</i>		
Balance 1 July	(7,339)	(4,653)
Revaluation - gross (note 14)	(4,263)	(721)
Transfer to net profit	-	(2,634)
Transfer to net profit attributable to non-controlling interest	<u>(399)</u>	<u>669</u>
Balance 30 June	<u>(12,001)</u>	<u>(7,339)</u>

<i>Share-based payments</i>		
Balance 1 July	3,354	4,323
Employee share plan expense	2,302	2,164
Employee distribution	-	63
Transfer vesting portion of LTI to issued units	(420)	(3,196)
Transfer non-vesting portion of LTI from retained earnings	<u>(74)</u>	<u>-</u>
Balance 30 June	<u>5,162</u>	<u>3,354</u>

Accumulated losses

Movements in accumulated losses were as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Balance 1 July	(1,731,625)	(1,701,315)
Net profit for the year	306,024	294,256
Distributions	(389,463)	(324,566)
Transfer non-vesting portion of LTI from share-based payments reserve	<u>74</u>	<u>-</u>
Balance 30 June	<u>(1,814,990)</u>	<u>(1,731,625)</u>

Nature and purpose of reserves

Cash flow hedges

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

Share-based payments reserve

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

23 Distributions

	30 June 2011 \$'000	30 June 2010 \$'000
Distributions proposed		
Final distribution payable and recognised as a liability: 14.0 cents (2010: 12.0 cents) per fully paid Stapled Security payable 11 August 2011	<u>202,096</u>	<u>169,760</u>
	202,096	169,760
Distributions paid during the year		
Final distribution for 2010 financial year of 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security paid 27 August 2010	169,760	141,095
Interim distribution for 2011 financial year of 13.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 15 February 2011	<u>187,367</u>	<u>154,806</u>
	357,127	295,901
 Paid in cash	 232,577	 230,451
Executive loans - repayments	-	65
Satisfied by issue of Stapled Securities (a)	124,557	65,381
Funds available for future distribution reinvestment plans	<u>(7)</u>	<u>4</u>
	357,127	295,901

- (a) The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust (\$84.7 million), Transurban Holdings Limited (\$31.1 million) and Transurban International Limited (\$8.7 million).

24 Remuneration of auditors

The audit fee for the current and prior year has been borne and paid by a related party, Transurban Limited.

25 Contingencies

Contingent liabilities

The Group and parent entity had contingent liabilities at 30 June 2011 in respect of:

Equity guarantee

Transurban DRIVE Holdings LLC (DRIVE), a related party of the Transurban Group, holds a concession agreement with The Commonwealth of Virginia to construct and operate High Occupancy Toll (HOT) lanes on the Capital Beltway (Capital Beltway project), a ring road that runs around Washington DC. The project is currently in the construction phase. Construction is expected to be complete in late 2012 and the tolling concession will operate for 75 years.

On 20 December 2007 (and as amended on 12 June 2008) the Transurban Group, through the entities in the triple staple, being Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited (as responsible entity of the Transurban Holding Trust), entered into an agreement with Capital Beltway Express LLC (Capital Beltway Express), a subsidiary of DRIVE, the Virginia Department of Transportation, Goldman Sachs Capital Markets L.P., Depfa Bank plc and Wells Fargo Bank N.A. to provide an Equity Funding Guarantee (the Guarantee) over all of DRIVE's equity obligations associated with funding the equity contributions to the Capital Beltway project.

The Transurban Group owns 75 per cent of the equity of DRIVE and recognises this investment in the consolidated financial statements using the equity method of accounting. DRIVE holds 90 per cent of the equity in Capital Beltway Express and, from time to time, is required to make equity contributions to Capital Beltway Express to fund the equity component of the Capital Beltway project costs. The total equity contribution DRIVE is obliged to make to Capital Beltway Express is US\$313,825,757, of which US\$159,690,077 had been paid at balance sheet date.

25 Contingencies (continued)

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

26 Intra-group guarantees

As at 30 June 2011, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security.

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

27 Commitments

Capital commitments

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

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Intangible assets</i>		
Payable:		
Within one year	242,997	-
Later than one year but not later than five years	98,498	-
Later than five years	-	-
	<u>341,495</u>	<u>-</u>

Promissory Notes

The Responsible Entity, on behalf of the Hills Motorway Trust, has entered into an agreement with the RTA. Annual liabilities under this agreement total \$7.0 million indexed annually to the CPI over the estimated period that the Hills M2 Motorway will be used. Until such time as a threshold return is achieved, payments under this agreement can be made at the discretion of the Responsible Entity, by means of the issue of non-interest bearing promissory notes to the RTA. For further information refer to note 20.

28 Related party transactions

Other related parties

All of the directors of Transurban Infrastructure Management Limited are also directors of Transurban Holdings Limited. Mr Maxsted and Mr Lynch are directors of Transurban International Limited. The following services are provided by the Trust to these consolidated entities:

- Financial support through interest bearing and non-interest bearing loans; and/or
- The rental of land.

Financial support is received from Transurban Finance Company in the form of an interest bearing loan. The Trust pays interest and related finance charges for such loan.

Transurban Infrastructure Management Limited is the Responsible Entity of Transurban Holding Trust, CityLink Trust and CARS Trust and receives Responsible Entity and Management Fees.

The following transactions occurred with related parties:

	30 June 2011 \$	30 June 2010 \$
<i>Amounts recognised as revenue</i>		
Rental income	251,384,307	219,951,604
Interest income	359,109,721	324,407,165
Term loan notes interest revenue	<u>84,565,108</u>	<u>78,789,621</u>
	<u>695,059,136</u>	<u>623,148,390</u>
<i>Amounts recognised as expenses</i>		
Interest and other related charges paid	227,015,493	229,921,886
Responsible Entity fees	<u>2,714,245</u>	<u>2,553,236</u>
	<u>229,729,738</u>	<u>232,475,122</u>
 Aggregate amounts of related party receivables at balance date		
Current receivables	210,633,245	568,063,115
Term loan notes (loan to associate)	724,225,027	678,044,167
Non-current receivables	<u>5,810,538,998</u>	<u>5,501,610,391</u>
	<u>6,745,397,270</u>	<u>6,747,717,673</u>
 Aggregate amounts of related party payables at balance date		
Current payables	173,927,225	153,805,376
Non-current payables	<u>3,235,872,868</u>	<u>3,178,191,878</u>
	<u>3,409,800,093</u>	<u>3,331,997,254</u>

Loan to/from related parties

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.

28 Related party transactions (continued)

Loan to associate

The "loan to associate" is via Term Loan Notes ("TLN"). The TLN represent the Group's funding contribution to the Westlink Motorway Partnership and earn interest at a fixed rate of 11.93 per cent until the earlier of 34 years and the termination of the "Agreement to Lease" between the Roads and Traffic Authority of New South Wales and Westlink Motorway Limited.

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

The TLN have not been affected by equity accounting losses from the associate.

Terms and conditions of transactions with related parties other than key management personnel or entities related to them

All transactions were made on normal terms and conditions and at market rates.

29 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
The CityLink Trust	Australia	Ordinary	100	100
Transurban Finance Trust	Australia	Ordinary	100	100
Transurban AL Trust	Australia	Ordinary	100	100
Transurban CARS Trust	Australia	Ordinary	100	100
Transurban WSO Trust	Australia	Ordinary	100	100
Hills Motorway Trust	Australia	Ordinary	100	100
T (895) Finance Trust	Australia	Ordinary	100	100
Abigroup Westlink Partner Holding No.4 Pty Ltd	Australia	Ordinary	100	100
Abigroup Westlink Partner No.4 Pty Ltd	Australia	Ordinary	100	100
LMI Westlink Partner Holding No.4 Pty Ltd	Australia	Ordinary	100	100
LMI Westlink Partner No.4 Pty Ltd	Australia	Ordinary	100	100
Abigroup Westlink Partner Holding No.2 Pty Ltd	Australia	Ordinary	100	100
Abigroup Westlink Partner No.2 Pty Limited	Australia	Ordinary	100	100
LMI Westlink Partner Holding No.2 Pty Limited	Australia	Ordinary	100	100
LMI Westlink Partner No.2 Pty Limited	Australia	Ordinary	100	100
Sydney Roads Trust	Australia	Ordinary	100	100
Airport Motorway Trust	Australia	Ordinary	75.10	75.10
LCT-MRE Trust	Australia	Ordinary	100	100
LCT-MRE Holding Trust	Australia	Ordinary	100	100

The proportion of ownership interest is equal to the proportion of voting power held.

30 Parent entity financial information

Summary financial information

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

	30 June 2011 \$'000	30 June 2010 \$'000
Balance sheet		
Current assets	512,008	779,105
Non-current assets	<u>7,460,573</u>	<u>6,897,760</u>
Total assets	<u>7,972,581</u>	<u>7,676,865</u>
Current liabilities	308,721	169,817
Non-current liabilities	<u>1,984,012</u>	<u>1,989,922</u>
Total liabilities	<u>2,292,733</u>	<u>2,159,739</u>
<i>Unit holders' funds</i>		
Issued units	7,188,221	7,103,500
Reserves	5,162	3,353
Accumulated losses	<u>(1,513,535)</u>	<u>(1,589,727)</u>
	<u>5,679,848</u>	<u>5,517,126</u>
Profit for the year	<u>465,577</u>	<u>267,656</u>
Total comprehensive income	<u>465,577</u>	<u>267,656</u>

Contingent liabilities of the parent entity

For details of contingent liabilities of the parent entity, refer to note 25.

31 Events occurring after the balance sheet date

Apart from the refinancing of the debt as disclosed in note 18(a), there are no other unusual matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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

	30 June 2011 \$'000	30 June 2010 \$'000
Profit for the year	318,384	305,502
Depreciation and amortisation	106,745	92,106
Capitalised term loan note interest	(46,181)	(44,772)
Non-cash concession notes income	(74,374)	(101,857)
Non cash finance costs	44,996	10,546
Change in operating assets and liabilities		
(Increase) in receivables & prepayments	(845)	(347)
(Increase) in operating related party balances	(310,760)	(92,944)
Movement in current tax liabilities and deferred taxes	(505)	(145)
Increase (decrease) in payables	979	(7,053)
Increase (decrease) in unearned income	33,287	(17,285)
Increase in Promissory Note liability	3,075	6,032
Net cash inflow from operating activities	<u>74,801</u>	<u>149,783</u>

33 Non-cash investing and financing activities

	30 June 2011 \$'000	30 June 2010 \$'000
Distributions satisfied by the issue of units under the distribution reinvestment plan	<u>84,691</u>	44,460
	<u>84,691</u>	<u>44,460</u>

34 Earnings per unit

	30 June 2011 Cents	30 June 2010 Cents
Basic earnings per unit		
Earnings attributable to the ordinary unit holder	<u>21.3</u>	<u>22.6</u>
Total basic earnings per unit attributable to the ordinary equity holders of the trust	<u>21.3</u>	<u>22.6</u>

Diluted earnings per unit

Earnings attributable to the ordinary unit holder	<u>21.3</u>	<u>22.6</u>
Total diluted earnings per unit attributable to the ordinary equity holders of the trust	<u>21.3</u>	<u>22.6</u>

Reconciliations of earnings used in calculating earnings per unit

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Basic and diluted earnings per unit</i>		
Profit for the year	318,384	305,502
Profit attributable to non-controlling interests	<u>(12,360)</u>	<u>(11,246)</u>
Profit attributable to the ordinary unit holders of the trust used in calculating basic and diluted earnings per unit	<u>306,024</u>	<u>294,256</u>

Weighted average number of units used as the denominator

	30 June 2011 Number	30 June 2010 Number
Weighted average number of units used in calculating basic and diluted earnings per unit	<u>1,437,820,619</u>	<u>1,301,035,941</u>
<i>Basic earnings per unit</i>		

Basic earnings per unit is determined by dividing the profit attributable to unit holders excluding any non-controlling interest and costs of servicing equity other than distributions, by the weighted average number of units outstanding during the financial year.

Diluted earnings per unit

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

35 Share-based payments

Performance Awards Plan

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

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

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

Grant Date	Vesting / Expiry date	Fair value at grant date		Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
		\$						
		TSR	EBIDTA					
2011								
1 Nov 2008	1 Nov 2011	3.30	4.27	1,277,630	-	-	(17,517)	1,260,113
11 Dec 2009	11 Dec 2012	3.33	4.97	1,990,913	-	-	(214,330)	1,776,583
1 Nov 2010	1 Nov 2013	3.23	4.62	-	1,658,614	-	(257,039)	1,401,575
23 Dec 2010	1 Nov 2013	3.33	4.97	-	684,683	-	-	684,683
Total				3,268,543	2,343,297	-	(488,886)	5,122,954

Weighted average exercise price				\$4.01	\$3.99	\$-	\$4.02	\$4.00
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Grant Date	Vesting / Expiry date	Fair value at grant date		Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
		TSR	EBIDTA					
2010								
1 Nov 2008	1 Nov 2011	3.30	4.27	1,314,288	-	-	(36,658)	1,277,630
11 Dec 2009	11 Dec 2012	3.33	4.97	<u>-</u>	<u>1,990,913</u>	<u>-</u>	<u>-</u>	<u>1,990,913</u>
Total				<u>1,314,288</u>	<u>1,990,913</u>	<u>-</u>	<u>(36,658)</u>	<u>3,268,543</u>

Weighted average exercise price				\$3.79	\$4.15	\$-	\$3.79	\$4.01
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35 Share-based payments (continued)

Executive Equity Plan

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

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

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

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

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2011							
1 Nov 2008	1 Nov 2011	\$4.27	548,650	-	(72,334)	(42,594)	433,722
Total			<u>548,650</u>	<u>-</u>	<u>(72,334)</u>	<u>(42,594)</u>	<u>433,722</u>
Weighted average exercise price			\$4.27	\$-	\$4.27	\$4.27	\$4.27

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2008	1 Nov 2011	\$4.27	611,692	-	(2,953)	(60,089)	548,650
Total			<u>611,692</u>	<u>-</u>	<u>(2,953)</u>	<u>(60,089)</u>	<u>548,650</u>
Weighted average exercise price			\$4.27	\$-	\$4.27	\$4.27	\$4.27

Performance Rights Plan

The Performance Rights Plan (PRP) enabled eligible executives to receive a grant of Performance Rights that entitled participants to receive stapled securities in the Transurban Group (Securities) at no cost at the end of a three year performance period, subject to the achievement of performance conditions. No dividends or distributions on Securities were payable to participants prior to vesting. The Plan has two performance measures, EBITDA and relative TSR against the S&P/ASX 100 Industrials, each applied to 50 per cent of the PRP award. For US participants of the plan, they will be awarded a cash amount instead of stapled securities at the end of the three year performance period, subject to performance conditions. There is only one testing date at the end of the performance hurdles at the vesting date.

Awards were last made under the PRP in November 2007. This award matured on 1 November 2010. 84.44 per cent of awards subject to the TSR performance condition vested based on Transurban's ranking against the constituents of the S&P/ASX 100. None of the awards subject to the statutory EBITDA growth or DRIVE management fee growth conditions vested as the prescribed performance conditions were not met.

35 Share-based payments (continued)

Australian based plan

Grant Date	Vesting / Expiry date	Fair value at grant date		Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Lapsed during the year Number	Balance at end of the year Number
		TSR	EBIDTA					
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	<u>331,594</u>	<u>-</u>	<u>(143,060)</u>	<u>(188,534)</u>	<u>-</u>
Total				<u>331,594</u>	<u>-</u>	<u>(143,060)</u>	<u>(188,534)</u>	<u>-</u>
Weighted average exercise price				\$4.73	\$-	\$4.73	\$4.73	\$-

Grant Date	Vesting / Expiry date	Fair value at grant date		Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
		TSR	EBIDTA					
2010								
1 Nov 2007	1 Nov 2010	3.50	5.96	<u>345,854</u>	<u>-</u>	<u>-</u>	<u>(14,260)</u>	<u>331,594</u>
Total				<u>345,854</u>	<u>-</u>	<u>-</u>	<u>(14,260)</u>	<u>331,594</u>
Weighted average exercise price				\$4.73	\$-	\$-	\$4.73	\$4.73

Overseas based plan

Grant Date	Vesting / Expiry date	Fair value at grant date		Balance at	Vested	Lapsed	Balance at
				start of the	during the	during the	end of the
		\$	DRIVE mgt	year	year	year	year
		TSR	fee	Number	Number	Number	Number
2011							
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	(107,007)	(140,554)	-
Total				<u>247,561</u>	<u>(107,007)</u>	<u>(140,554)</u>	<u>-</u>
Weighted average exercise price				\$4.26	\$4.26	\$4.26	\$-

Grant Date	Vesting / Expiry date	Fair value at grant date		Balance at	Granted	Forfeited	Balance at
				start of the	during the	during the	end of the
		\$	DRIVE mgt	year	year	year	year
		TSR	fee	Number	Number	Number	Number
2010							
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	-	-	247,561
Total				<u>247,561</u>	<u>-</u>	<u>-</u>	<u>247,561</u>
Weighted average exercise price				\$4.26	\$-	\$-	\$4.26

35 Share-based payments (continued)

Assessed fair value

The assessed fair value at grant date of the plans above has been independently determined in accordance with AASB 2. The TSR component of the Performance Awards has been valued applying a Monte-Carlo simulation (of geometric Brownian motion process, as used in the Black-Scholes framework) to model Transurban's future security price and TSR performance against the comparator group performance at vesting date. The valuation model takes into account the term of the award, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the award.

Employee security scheme

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

All Australian based permanent employees are eligible to participate in either the Investment Tax Exempt Plan or the Investment Tax Deferred Plan. Under the plans, Transurban provides participants with a matching component toward the acquisition of the stapled securities. For the period 1 July 2010 to 30 June 2011, the cost of company matches was \$304,375 (2010: \$125,517) for the Investment Tax Exempt Plan and \$89,885 (2010: \$nil) for the Investment Tax Deferred Plan. These plans were suspended in May 2009 following changes to taxation announced in the Federal budget. The Group reactivated the Tax Exempt Plan in the year ended 30 June 2010 and has reactivated the Investment Tax Deferred Plan for the 2011 financial year.

The third element under the Plan is the Incentive Plan. Subject to Board approval and the performance of the Group, eligible employees may receive a certain number of Transurban securities at no cost to them. In February 2011, each participant was allocated 100 stapled securities at a value of \$5.26 per security. Stapled Securities provided under the Plan were acquired on the open market.

	2011 Number	2010 Number
Shares purchased on the market under the plan and provided to participating employees	42,200	44,800

36 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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

Valuation of Promissory notes and Concession Notes

The Group holds non-interest bearing long term debt represented by promissory notes and a long term receivable that offsets a concession notes liability held in CityLink Melbourne, that are included in the financial statements at the present value of expected future repayments. The calculations to discount these notes to their present value are based on the timing and profile of the repayments. Assumptions are made in determining the timing and profile, based on expected available equity cash flows of the Trust's cash generating units.

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

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance date.

Impairment of Assets

The Group tests whether its assets have suffered any impairment when an event occurs that indicates that this may be the case. The recoverable amount of any cash generating units have been determined based on the greater of value-in-use and fair value less cost to sell calculations. These calculations require the use of assumptions regarding traffic flows, discount rates, growth rates and other factors affecting operating activities.

37 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally by the Transurban Group Treasury team (Treasury) under policies approved by the Board. Treasury work closely with the Group's operating units to actively identify and monitor all financial risks, and put hedging in place where appropriate. The Board are informed on a regular basis of any material exposures to financial risks.

The Group's hedging strategies are detailed below, and include the use of derivative financial instruments. The Group's policies allow derivative transactions to be undertaken only for the purpose of reducing risk, and do not permit speculative trading. Treasury continuously monitor risk exposures over time through review of cash flows, price movements, market analysis and ongoing communication within the Group. When measuring financial risk, Treasury consider positive and negative exposures, existing hedges and the ability to offset exposures where possible.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency exposures are viewed as either investment exposures or operating exposures. Exposures from investment in foreign assets are generally managed using foreign currency debt. All known material operating exposures out to 12 months are hedged, using hedging instruments, offsetting exposures or drawing on foreign currency funds.

37 Financial risk management (continued)

The Group's exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises, was as follows:

	30 June 2011 USD \$'000	30 June 2010 USD \$'000
Consolidated		
Receivables	357,265	336,666
Borrowings	<u>(313,600)</u>	<u>(276,001)</u>
Net exposure	<u>43,665</u>	<u>60,665</u>

Exposure to other foreign exchange movements is not material.

Sensitivity

Based on the financial instruments held at end of the period, had the Australian dollar strengthened/weakened by 10 cents against the U.S. dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$3,464,000 lower (2010: \$7,474,000 lower) or \$4,175,000 higher (2010: \$9,461,000 higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

Equity is not impacted by movements in foreign exchange. The Group's exposure to other foreign exchange movements is not material.

Cash flow interest rate risk

The Group's main exposure to interest rate risk arises from cash equivalents, loans and other receivables with variable interest rates, and long-term borrowings. Treasury manages interest rate risk by entering into fixed rate debt facilities or using interest rate swaps to convert floating rate debt. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100 per cent. Covenant requirements vary by debt facility, and require a minimum of between 50 per cent and 80 per cent of interest rate exposure to be hedged. At 30 June 2011, 98 per cent (2010: 100 per cent) of the Group's interest rate exposure on variable rate borrowings was hedged.

As at the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	5.5 %	(11,036)	4.1 %	(4,177)
Floating rate borrowings	7.2 %	1,304,050	7.5 %	980,000
Interest rate swaps (notional principal amount)	4.9 %	<u>(1,282,000)</u>	4.8 %	<u>(980,000)</u>
Net exposure to cash flow interest rate risk		<u>11,014</u>		<u>(4,177)</u>

An analysis by maturities is provided in liquidity risk below.

Sensitivity

At 30 June 2011, if interest rates had changed by +/-100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$110,000 higher/lower (2010: \$42,000 higher/lower).

37 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 owner and operator of large infrastructure assets, the Group is exposed to credit risk with its financial counterparties through undertaking financial transactions intrinsic to its business. These include funds held on deposit, cash investments and the market value of derivative transactions.

Treasury assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. Board approved limit allocation rules ensure higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy counterparties, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

The Group's investment in the Westlink Motorway is through term loan notes (see note 13 for details). The return on these notes is ultimately dependent on the performance of the Motorway. The Group continually monitors the performance and expected cash flows of the Motorway.

Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. Treasury assesses liquidity over the short term (up to 12 months) and medium term (1 – 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 at the end of the reporting period:

	Consolidated	
	2011	2010
	\$'000	\$'000
Floating rate		
Expiring within one year	-	270,971
Expiring beyond one year	<u>418,002</u>	<u>230,000</u>
	<u>418,002</u>	<u>500,971</u>

The facilities are committed for the term of the facility and cannot be withdrawn by the bank without notice.

37 Financial risk management (continued)

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	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 (assets)/ liabilities
At 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	415,936	-	-	-	-	126,465	542,401	435,656
Variable rate	96,769	293,247	384,578	725,116	14,716	204,460	1,718,886	1,325,928
Fixed rate	<u>399,469</u>	<u>559,199</u>	<u>411,279</u>	<u>381,684</u>	<u>760,541</u>	<u>1,617,211</u>	<u>4,129,383</u>	<u>3,196,714</u>
Total non-derivatives	<u>912,174</u>	<u>852,446</u>	<u>795,857</u>	<u>1,106,800</u>	<u>775,257</u>	<u>1,948,136</u>	<u>6,390,670</u>	<u>4,958,298</u>
Derivatives								
Net settled (interest rate swaps)	<u>5,257</u>	<u>4,956</u>	<u>2,563</u>	<u>2,601</u>	<u>1,141</u>	<u>258</u>	<u>16,776</u>	<u>13,757</u>
Total derivatives	<u>5,257</u>	<u>4,956</u>	<u>2,563</u>	<u>2,601</u>	<u>1,141</u>	<u>258</u>	<u>16,776</u>	<u>13,757</u>
	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 (assets)/ liabilities
At 30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	354,513	-	-	-	-	116,184	470,697	371,158
Variable rate	112,339	365,084	247,682	213,346	285,474	64,984	1,288,909	1,000,111
Fixed rate	<u>189,821</u>	<u>489,821</u>	<u>546,821</u>	<u>399,321</u>	<u>370,006</u>	<u>2,123,185</u>	<u>4,118,975</u>	<u>3,142,588</u>
Total non-derivatives	<u>656,673</u>	<u>854,905</u>	<u>794,503</u>	<u>612,667</u>	<u>655,480</u>	<u>2,304,353</u>	<u>5,878,581</u>	<u>4,513,857</u>
Derivatives								
Net settled (interest rate swaps)	<u>5,932</u>	<u>3,266</u>	<u>3,070</u>	<u>(209)</u>	<u>222</u>	<u>71</u>	<u>12,352</u>	<u>9,495</u>
Total derivatives	<u>5,932</u>	<u>3,266</u>	<u>3,070</u>	<u>(209)</u>	<u>222</u>	<u>71</u>	<u>12,352</u>	<u>9,495</u>

37 Financial risk management (continued)

Fair value measurements

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

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

Transurban Holding Trust has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010.

As at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives used for hedging	-	1,663	-	1,663
Total assets	-	1,663	-	1,663
Liabilities				
Derivatives used for hedging	-	15,420	-	15,420
Total liabilities	-	15,420	-	15,420
 As at 30 June 2010	 Level 1 \$'000	 Level 2 \$'000	 Level 3 \$'000	 Total \$'000
Assets				
Derivatives used for hedging	-	3,429	-	3,429
Total assets	-	3,429	-	3,429
Liabilities				
Derivatives used for hedging	-	12,924	-	12,924
Total liabilities	-	12,924	-	12,924

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 interest rate swaps are calculated as the present value of the estimated future cash flows. These instruments are included in level 2.

38 Key management personnel disclosures

Directors

With the exception of the changes noted below, the following persons were directors of Transurban Infrastructure Management Limited, the responsible entity of the Trust during the financial year:

Executive directors

Christopher J Lynch

Non-executive directors

Lindsay P Maxsted
David J Ryan (resigned 12 August 2010)
Neil G Chatfield
Geoffrey O Cosgriff
Jeremy GA Davis
Robert J Edgar
Samantha J Mostyn (appointed 8 December 2010)
Robert R Officer (appointed 20 August 2010)
Rodney Slater

Other key management personnel

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

B Bourke (resigned 28 February 2011)	Chief Operating Officer
K Daley	President International Development
M Fletcher (resigned 28 February 2011)	Group General Manager, Public Affairs
A Head	Group General Manager, New South Wales
S Hogg	Group General Manager, Corporate Services
T Honan	Chief Financial Officer
M Kulper	President, Transurban North America
E Mildwater	Group General Manager, Victoria

38 Key management personnel disclosures (continued)

2011 REMUNERATION REPORT

INTRODUCTION

The Remuneration Report, prepared in accordance with section 300A of the *Corporations Act 2001*, contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who are the 'key management personnel' (**KMP**) of the Group. The KMP include the five highest remunerated executives of the Group and Transurban Holdings Limited for the year ended 30 June 2011, and are listed in the tables below:

Senior Executives	Non-Executive Directors
Name and position	Name
Chris Lynch, Executive Director, Chief Executive Officer (CEO)	Lindsay Maxsted (<i>appointed as Chairman on 12 August 2010</i>)
Brendan Bourke, ¹ Chief Operating Officer	David Ryan (<i>resigned as Chairman on 12 August 2010</i>)
Ken Daley, President, International Development	Neil Chatfield
Megan Fletcher, ¹ Group General Manager, Public Affairs	Geoff Cosgriff
Andrew Head, ¹ Group General Manager, NSW	Jeremy Davis
Samantha Hogg, ¹ Group General Manager, Corporate Services	Bob Edgar
Tom Honan, Chief Financial Officer	Samantha Mostyn (<i>appointed on 8 December 2010</i>)
Michael Kulper, President, North America	Bob Officer (<i>appointed on 20 August 2010</i>)
Elizabeth Mildwater, ¹ Group General Manager, Victoria	Rodney Slater
	Jennifer Eve (Director of TIL only)
	James Keyes (Director of TIL only)

¹ As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke ceased as Chief Operating Officer with effect from 28 February 2011 and Megan Fletcher ceased as Group General Manager, Public Affairs with effect from 4 February 2011. Andrew Head changed role from Group General Manager, Strategy and Development to Group General Manager, NSW, Samantha Hogg (previously Acting Group General Manager, People, Legal and Governance) was appointed as Group General Manager, Corporate Services, and Elizabeth Mildwater changed role from Group General Manager, People Legal and Governance to Group General Manager, Victoria, all with effect from 1 February 2011. Elizabeth Mildwater resigned as Company Secretary on 9 February 2011.

A comprehensive review of the Group's remuneration framework has been undertaken in light of feedback received from security holders and other stakeholders on the Group's remuneration arrangements, market expectations and regulatory developments. As a result, the Board has approved a new remuneration framework for the year ending 30 June 2012, details of which are summarised on page 179 and will be disclosed in detail in next year's Remuneration Report.

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The remuneration information contained in the Remuneration Report is presented as follows:

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4 CEO and Senior Executive remuneration for the year ended 30 June 2011	Page 181
5 Link between Group performance, security holder wealth and remuneration	Page 196
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All values in this Remuneration Report are in Australian dollars, unless otherwise stated.

38 Key management personnel disclosures (continued)

1 CHANGES TO THE REMUNERATION FRAMEWORK FOR THE YEAR ENDING 30 JUNE 2012

A NEW REMUNERATION FRAMEWORK

Following the 2010 Annual General Meeting (**AGM**), the Remuneration Committee on behalf of the Board undertook a comprehensive review of the Group's remuneration framework for Senior Executives and senior managers, with assistance from independent advisers Ernst & Young. Feedback received from security holders and other stakeholders, market expectations and regulatory developments were all considered as part of the review.

In undertaking the review, the Remuneration Committee sought to balance the needs and expectations of security holders and other stakeholders with business strategy considerations and the need to remunerate Senior Executives and Senior Managers appropriately in a competitive marketplace, and to focus on linking performance and reward whilst taking into account the particular challenges facing the Group.

The review led to the Remuneration Committee recommending, and the Board approving, the adoption of a new remuneration framework for Senior Executives and Senior Managers effective 1 July 2011. An overview of the new framework for Senior Executives is set out below.

OVERVIEW OF THE NEW REMUNERATION FRAMEWORK FOR SENIOR EXECUTIVES

Remuneration mix

To more closely align Senior Executives' remuneration packages with security holder return and business strategy, variable and equity based components of total target remuneration will increase in the year ending 30 June 2012. With the introduction of STI deferral (see below), Senior Executives' equity exposure will increase as a percentage of total target remuneration.

	% of total Senior Executive remuneration (annualised) (at target) - 2012		
	Fixed (TEC)	Variable (performance based)	
		STI	LTI
CEO	33.3	33.3*	33.3
Other Senior Executives	45	30*	25

*With 30% STI deferral (see below).

The transition to the desired remuneration mix will be achieved over a maximum period of three years. Any remuneration package increases will be directed to STI/STI deferral.

Short term incentive (STI)

In the year ending 30 June 2012, a mandatory 30 per cent STI deferral into securities will be introduced for Senior Executives (including the CEO). The deferral period will be three years (including a one year performance period). This component of remuneration will be subject to clawback. An example of a clawback event is misconduct or misstatement of financial results. These changes reflect security holder expectations. They will also act as a positive retention tool.

Long term incentive (LTI)

The performance measures for the LTI plan for the year ending 30 June 2012 will change to the following:

- 50 per cent relative Total Shareholder Return (**TSR**) measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150; and
- 50 per cent Free Cash Flow (**FCF**) per security which reflects the Group's focus on the maximisation of free cash to drive security holder return. The definition of FCF per security is outlined in the glossary of terms on page 201. The FCF calculation is included in Note 21 Distributions in the Transurban Holdings Limited financial statements.

These measures have been selected as they are meaningful for Senior Executives and reflect security holder expectations.

The treatment of unvested LTI awards (granted in the year ending 30 June 2012) on a change of control will now be subject to Board discretion.

38 Key management personnel disclosures (continued)

2 REMUNERATION GOVERNANCE

BOARD AND REMUNERATION COMMITTEE RESPONSIBILITY

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

It is critical that the Remuneration Committee is independent of management when making decisions affecting employee remuneration. Accordingly, the Remuneration Committee comprises Non Executive Directors, all of whom are independent. Where appropriate, certain members of management attend Remuneration Committee meetings by invitation; however they do not participate in formal decision making.

ENGAGEMENT OF REMUNERATION CONSULTANTS

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

Potential conflicts of interest are taken into account when remuneration consultants are selected, and their terms of engagement regulate their level of access to, and require their independence from, management.

During the year ended 30 June 2011, the Hay Group, an independent external consultant, were engaged to provide market remuneration data to assist the Remuneration Committee in making decisions regarding Senior Executive remuneration. In addition, the Remuneration Committee engaged Ernst & Young to provide market remuneration data and conduct an independent review of the Group's new remuneration framework for the year ending 30 June 2012.

3 REMUNERATION IN CONTEXT

Toll road concessions are an asset class characterised by defensive, predictable cash flows, which grow over the life of long dated concession agreements. There is high upfront capital expenditure during the construction phase of a project, which for quality assets shifts to a low cost, high margin cash generative business for the remainder of the concession life. The investment proposition for high quality toll road assets lies in providing investors with access to long dated, predictable, growing cash flows generated by the assets over the life of the concessions.

The Group is an international toll road developer and manager with interests in Australia and the US. The Group is focused on the long-term management of toll road assets at various stages of maturity to achieve the best outcomes for investors, government partners and the community.

In Australia, the Group's interests include 100 per cent ownership of CityLink in Melbourne, and the Hills M2 and Lane Cove Tunnel (control taken on 10 August 2010) in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1 per cent), the M5 (50 per cent), and the M7 (50 per cent). In North America, the Group has interests in two assets, Pocahontas 895 (75 per cent) and the Capital Beltway Express (67.5 per cent), which is under construction in Northern Virginia.

The Board and management are focused on ensuring security holder value is enhanced through the strong performance of the Group's current portfolio of assets. In addition, development activities provide opportunities to further expand the portfolio in value accretive ways. The maximisation of free cash available to security holders over the near, medium and longer term is central to achieving this aim and the Group's remuneration framework is determined having regard to this.

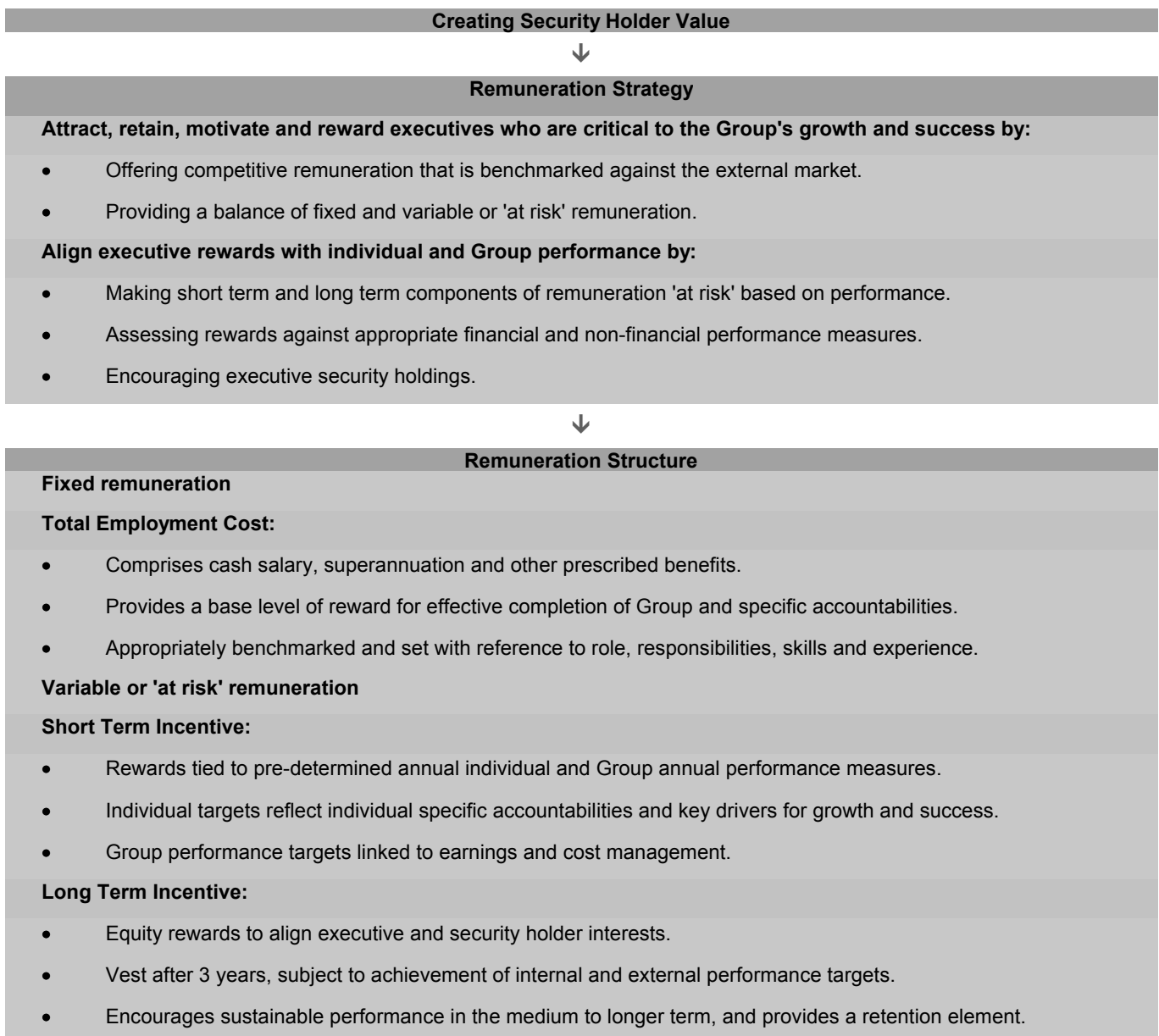
38 Key management personnel disclosures (continued)

4 CEO AND SENIOR EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

A REMUNERATION STRATEGY AND POLICY

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

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



38 Key management personnel disclosures (continued)

B REMUNERATION MIX

For the year ended 30 June 2011, the remuneration of the CEO and other Senior Executives was structured as a mix of fixed remuneration and variable or 'at risk' remuneration through short term and long term incentive components.

The relative weightings of the three remuneration components for the CEO and other Senior Executives were determined by the Board (on the recommendation of the Remuneration Committee) and are set out in the table below:

Relative weightings of remuneration components for the year ended 30 June 2011¹

	% of total remuneration (annualised) (at target) - 2011		
	Fixed (TEC)	Variable (performance based)	
		STI	LTI
CEO	34	33	33
Other Senior Executives	50	25	25

¹ These figures do not necessarily reflect the relative value derived from each of the components, which depends on actual performance against targets for the variable components (refer below). The above STI percentages are based on achieving the relevant performance targets. The above LTI percentages are based on the maximum LTI available at the time of grant to each Senior Executive if the awards granted vest at the end of the performance period. The table above reflects the percentage value of remuneration which consists of awards for each Senior Executive, apart from the CEO's LTI granted in the year ended 30 June 2011 which was granted in cash, subject to the same terms and conditions as the LTI plan offered to other Senior Executives. The CEO's LTI grant for all other years has consisted of awards.

C FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

Fixed remuneration is represented by total employment cost (TEC) comprising base salary, superannuation contributions and benefits such as salary continuance, death and disability insurance.

Fixed remuneration is not 'at risk' but is set by reference to appropriate benchmark information for an individual's responsibilities, performance, qualifications and experience.

There are no guaranteed base salary increases in any Senior Executive's employment agreement.

The Board instituted a salary freeze for the CEO and other Senior Executives for the year ended 30 June 2010. The Board determined that this freeze should continue in the year ended 30 June 2011, with three exceptions. TEC increases were given to three Senior Executives during the year. These executives changed roles as a result of the Group's organisational restructure announced on 27 January 2011. The revised remuneration was based on market remuneration data provided by the Hay Group.

How is TEC determined?

TEC levels are reviewed annually by the Remuneration Committee at the beginning of each financial year with reference to an individual's role, experience and performance, as well as relevant comparative market data. Independent remuneration consultants and surveys, internal considerations and market conditions also provide guidance. TEC is also reviewed on a change in role.

D SHORT TERM INCENTIVE (STI)

How did the STI plan operate?

The STI plan was an annual cash incentive plan linked to the attainment of specific pre-determined Group, team and individual performance measures. All permanent Group employees, including the CEO and other Senior Executives, participated in the STI plan.

For the year ended 30 June 2011, the CEO had a target STI opportunity of 100 per cent of his annualised TEC. Other Senior Executives had a target STI opportunity of 50 per cent of their annualised TEC.

38 Key management personnel disclosures (continued)

The STI plan put a significant proportion of remuneration 'at risk' subject to meeting specific targets linked to the Group's business objectives. The STI plan focused participants on achieving performance targets and provided an incentive for high performance. This aligned executive interests with the Group's financial performance, as well as management principles and the Group's cultural values.

What were the STI performance measures?

STI performance measures are set at the beginning of the financial year.

There were three categories of performance measures for the CEO and other Senior Executives for the year ended 30 June 2011. They were chosen to provide a balance between corporate, individual, operational, strategic, financial and non-financial aspects of performance and are described below:

STI performance measures for the year ended 30 June 2011

Performance measure and % of target award measure applies to	Target(s) for performance measure
Group performance targets 50%	To ensure that STI payments were aligned with business performance and the creation of security holder value, there were two Group performance targets: • growth in proportional EBITDA; and • cost management based on proportional net costs. Each accounted for 50% of the Group performance targets.
Shared Senior Executive Safety KPI 10%	To achieve the business objective of creating and maintaining a safety culture, the Senior Executive team shared a safety KPI. For Senior Executives based in Australia, outcomes were required in relation to: • a reduction in lost time injury frequency rates; and • achievement of AS4801 certification. For Senior Executives based in the US, outcomes were required in relation to: • maintaining zero lost time injury occurrence; • development of appropriate OHS plans; and • the completion of risk assessments.
Individual key performance indicators (KPIs) 40%	Individual KPIs are unique to the individual's area of accountability, but relate to critical business sustainability measures including: operational performance; cost reduction; customer satisfaction; project outcomes; succession planning; risk management; people management; strategy development; and business plan implementation. Individual KPIs reflect the behaviours valued by the Group, and are capable of measurement. Individuals have a clear line of sight to KPIs and are able to directly affect outcomes through their actions.

Who sets the STI performance measures?

The CEO's individual KPIs are set by the Board. All other Senior Executives' individual KPIs and the shared Senior Executive safety KPI are set by the CEO and approved by the Board. The Board sets the Group performance targets.

38 Key management personnel disclosures (continued)

What is proportional EBITDA and why does Transurban use it as a performance measure?

EBITDA is a common operational performance measure used by many companies.

Proportional EBITDA is one of the primary measures that the Board uses to assess the operating performance of the Group, with an aim to maintain a focus on the Group's operating results and associated cash generation. It reflects the contribution from individual assets to the Group's operating performance and focuses on elements of the result that management can influence to drive improvements in short term earnings.

Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions. Proportional EBITDA provides a better reflection of the underlying performance of the Group's assets than statutory EBITDA. The EBITDA calculation from the statutory accounts would not include the EBITDA contribution of the M5, M7 or DRIVE (equity accounted in the statutory results), which are meaningful contributors to the Group's performance. Proportional EBITDA figures used to assess performance are included in Note 2 Segment information in the Transurban Holdings Limited financial statements.

The Board can decide to exclude specific items from proportional EBITDA to provide an underlying result when determining performance incentives. These items reflect one-off, non-recurring items, both revenue and expenses, that will not contribute to the Group's performance in future periods. For the year ended 30 June 2011, the Board has excluded the release of the M4 maintenance provision, which would have increased the proportional EBITDA growth outcome.

Since 2009, proportional EBITDA has been used by the Group as a performance measure for STIs.

What is proportional net costs and why does Transurban use it as a performance measure?

The STI cost management performance measure is based on proportional net costs. Proportional net costs are the operating, corporate and business development costs of the Group less non-toll revenues (fees and other). The deduction of these non-toll revenues encourages and allows management to incur additional costs where these are justified by increased revenue results (e.g. toll collection activities such as video tolling and/or enforcement).

The inclusion of a cost-related performance measure reflects the fact that management has the ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and cash flow and ultimately security holder value. Proportional net costs was first used by the Group as an STI performance measure in the year ended 30 June 2010.

What were the proportional EBITDA and proportional net costs targets for the year ended 30 June 2011?

The proportional EBITDA and proportional net costs targets for the year ended 30 June 2011 were set against the previous year's results and the Group's 30 June 2011 budget.

The targets for the year ended 30 June 2011 are set out in the table below:

Proportional EBITDA result	% of STI that vests*	Proportional net costs result
Result is less than 7% above the underlying result for the year ended 30 June 2010	0%	Actual underlying proportional net costs are over budget for the year ended 30 June 2011
Result is 7% above the underlying result for the year ended 30 June 2010	50%	Actual underlying proportional net costs on budget for the year ended 30 June 2011
Budgeted proportional EBITDA is achieved for the year ended 30 June 2011 (which was 11.4% growth on 30 June 2010 result)	100%	Actual underlying proportional net costs are 5% below the budgeted underlying proportional net costs for the year ended 30 June 2011
Result is 17% above the underlying result for the year ended 30 June 2010	150%	Actual underlying proportional net costs are 15% below budgeted underlying proportional net costs for the year ended 30 June 2011

* 50-100% and 100-150%

How are the varying levels of performance achievement rewarded?

STI targets are designed to differentiate and reward high performance.

38 Key management personnel disclosures (continued)

50 per cent of the available STI vests for threshold performance, 100 per cent vests for on-target performance and an additional 50 per cent can be earned for outperformance. These targets are consistent for all of the Group's eligible employees.

Given that STI awards are contingent on performance across a range of measures, maximum STI awards can only be achieved for performance that is strong on all measures.

How is performance assessed?

Group performance targets: The performance of Senior Executives against the Group performance targets is assessed by the Board. The results are independently reviewed.

Shared Senior Executive Safety KPI: The performance against the Senior Executive team's shared KPI is assessed by the Remuneration Committee which then makes recommendations to the Board. These results are independently reviewed.

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

Once KPIs have been assessed, the Board approves STI awards. STI awards for the year ended 30 June 2011 will be paid in August 2011.

The Board believes the above methods of assessment are rigorous and transparent, and provide a balanced evaluation of the CEO and each other Senior Executive's performance.

What if a Senior Executive ceased employment?

Under the CEO's employment contract in place for the year ended 30 June 2011, if the CEO's employment was terminated by the Group other than for cause, the CEO would receive a pro-rata payment of the greater of target STI or actual performance.

Under the employment contracts in place for the year ended 30 June 2011, if a Senior Executive (excluding the CEO) ceased employment with the Group before STI targets were achieved, the Senior Executive would generally not have been entitled to receive any STI payment, unless otherwise determined by the Board.

STI performance outcomes for the year ended 30 June 2011

Group performance in respect of the proportional EBITDA and proportional net costs performance measures for the year ended 30 June 2011 was assessed by the Board as 122.7 per cent.

STI payments for the CEO and other Senior Executives for the year ended 30 June 2011 are set out in the table below:

	Actual STI awarded ²	Target STI paid	Target STI forfeited
Name	\$	%	%
Chris Lynch	2,461,680	118	-
Brendan Bourke ¹	254,163	104	-
Ken Daley	431,438	115	-
Megan Fletcher ¹	110,656	104	-
Andrew Head	323,640	117	-
Samantha Hogg	241,285	117	-
Tom Honan	587,250	117	-
Michael Kulper	573,750	115	-
Elizabeth Mildwater	319,633	115	-

¹ As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke and Megan Fletcher exited the business. Their STI awards for the year ended 30 June 2011 were pro-rated and awarded based on individual performance and Group performance which was forecasted to the end of the STI performance period.

38 Key management personnel disclosures (continued)

- 2 *The threshold level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of the year ended 30 June 2011 was nil. The maximum potential value of the STI was \$6,435,000 (awarded for outperformance), excluding the exited employees. The STI payments in respect of the year ended 30 June 2011 will be paid in August 2011.*

E LONG TERM INCENTIVE (LTI)

How did the LTI plan operate?

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

Participation in the LTI plan is only offered to Senior Executives, and certain other Senior Managers approved by the Board. For the year ended 30 June 2011, the CEO was offered an LTI grant equivalent to 100 per cent of his annualised TEC. Other Senior Executives were offered grants representing 50 per cent of their annualised TEC.

LTI grants are delivered in the form of Performance Awards under the Group's Performance Awards Plan (**PAP**). Each Performance Award is an entitlement to receive a fully paid Transurban security on terms and conditions determined by the Board, including the achievement of certain vesting conditions linked to performance over a three year period. If the performance measures are satisfied, the Performance Awards vest and Transurban securities will be delivered to the participant. Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, it is the Board's current intention to settle any vested Performance Awards in Transurban securities. Overseas participants were granted performance awards which provided for cash payments upon vesting subject to the achievement of performance measures.

Performance Awards that do not vest after testing of the performance measures lapse.

Performance Awards are not transferable and do not carry voting or distribution rights. However securities allocated upon vesting of Performance Awards carry the same rights as other Transurban securities.

Security holder approval was not obtained at the 2010 AGM for the proposed grant of Performance Awards to the CEO. The CEO was therefore entitled under his employment agreement to receive, and did receive, a cash-based award in December 2010 subject to the terms and conditions of the LTI plan as outlined in this section.

What were the LTI performance measures?

Participants do not derive actual value from their LTI grants unless performance targets are achieved.

Performance Awards granted during the year ended 30 June 2011 are subject to the following dual performance measures over a three year performance period:

- relative TSR ranked against the S&P/ASX100 group of companies; and
- growth in proportional EBITDA.

Each measure applies to 50 per cent of the available LTI award.

What were the performance targets?

Relative TSR

For Performance Awards granted during the year ended 30 June 2011, the relative TSR component of the award will vest if the Group's relative TSR performance is at least above the median of the S&P/ASX100 group of companies at the end of the three year performance period, in accordance with the following table:

38 Key management personnel disclosures (continued)

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA

For Performance Awards granted during the year ended 30 June 2011, the proportional EBITDA component of the award that will vest will depend on the Group's percentage compound proportional EBITDA growth over the three financial year performance period (including on a part-year basis), as set out below:

Proportional EBITDA vesting schedule

% compound proportional EBITDA annual growth	% of Performance Awards that vest
7%	50%
Between 7% and 11%	Straight line vesting between 50-100%
11% or more	100%

Why were these performance measures selected?

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

The proportional EBITDA target provides evidence of the Group's growth in earnings and is linked to its overall strategic objectives. The movement in proportional EBITDA reflects Transurban's underlying business performance and its goal of long term sustainable growth in earnings from existing operations.

How will the performance targets be measured?

Relative TSR

The Group will receive an independent report that sets out the Group's TSR growth and that of each company in the peer group. A volume weighted average price of securities for the one week up to and including the test date is used in the calculation of TSRs for Transurban and the comparator group.

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

Proportional EBITDA

The Group's proportional EBITDA percentage growth rate will be calculated based on EBITDA results included in the Group's audited financial statements.

The measure may be adjusted to include or exclude the relevant EBITDA from acquisitions and divestments that may occur during the performance period, in order to ring fence performance based on the known asset portfolio at the start of the performance period. In addition, the Board may decide to exclude specific items from proportional EBITDA to provide an underlying result when determining performance incentives. These adjustments reflect one-off, non recurring items, both revenue and expenses, that will not contribute to the Group's performance in future periods. The result will be subject to Board approval.

The Board believes the above methods of assessment are rigorous and provide an appropriate assessment of the Group's performance against the performance measures.

For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements.

38 Key management personnel disclosures (continued)

What if a Senior Executive ceases employment?

Under the CEO's employment contract in place for the year ended 30 June 2011, if the CEO's employment was terminated by the Group other than for cause, the CEO would receive a pro-rated Performance Award calculated from his appointment anniversary date to his termination date, vesting in accordance with the performance measures under LTI plan as at the time of grant. If the CEO ceased employment with the Group before the performance measures are tested, then he would be entitled to retain any unvested Performance Awards or cash-based awards, which would vest in accordance with the performance measures under the LTI plan as at the time of grant.

Under the terms of the employment contracts in place for the year ended 30 June 2011, if any other Senior Executives cease employment with the Group before the performance measures are tested, then their unvested Performance Awards will lapse, unless the Board determines otherwise.

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

LTIs form part of the CEO and Senior Executives' remuneration. In the event of a takeover or change of control of the Group, any unvested Performance Awards granted before 30 June 2011 will automatically vest. Performance Awards that vest following a change of control will not generally be subject to restrictions on dealing.

What was the grant, movement in the number and value of Performance Awards by Senior Executives during the year ended 30 June 2011?

These are summarised in the tables below:

Performance Awards granted in the year ended 30 June 2011

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date ¹ (\$)	VWAP at grant date (\$)
TSR	1-Nov-10	1-Nov-13	3.23	5.31
EBITDA	1-Nov-10	1-Nov-13	4.62	5.31

¹ The fair value was calculated as at the grant date of 1 November 2010. An explanation of the pricing model used to calculate these values is set out in Note 35 to the financial statements.

Performance Awards granted in the year ended 30 June 2011

Name	Number of Performance Awards granted ²	Value at grant date (\$)	Maximum total value of grant yet to vest ³ (\$)
Chris Lynch ¹	-	-	-
Brendan Bourke ⁴	120,972	474,815	51,940
Ken Daley	123,441	484,506	484,506
Megan Fletcher ⁴	52,668	206,722	22,612
Andrew Head	90,523	355,303	355,303
Samantha Hogg	65,835	258,402	258,402
Tom Honan	164,587	646,004	646,004
Michael Kulper	170,433	668,950	668,950
Elizabeth Mildwater	90,523	355,303	355,303

Performance Awards lapse where the performance measures are not satisfied on testing. As the Performance Awards only vest on satisfaction of performance and service conditions which are to be tested in future financial periods, none of the Senior Executives forfeited Performance Awards during the year.

¹ The CEO was granted a cash-based award of 684,683 units, linked to Transurban's security price, on 23 December 2010 subject to the terms and conditions of the LTI plan offered for the year ended 30 June 2011. The vesting date, fair value at grant date and VWAP at grant date are equivalent to the information outlined in the table above. The value of this award at the grant date was \$2,687,381 and the maximum total value of the grant yet to vest is \$2,687,381.

38 Key management personnel disclosures (continued)

- 2 *The grants made to Senior Executives constituted their full LTI entitlement for the year ended 30 June 2011 and were made on 1 November 2010 on the terms summarised above. Performance Awards vest subject to performance over the period from 1 November 2010 through to 1 November 2013.*
- 3 *The maximum value of the grant has been estimated based on the fair value per instrument at date of grant. The minimum total value of the grant, if the applicable performance measures are not met, is nil.*
- 4 *As part of the Group's organisational restructure, Brendan Bourke and Megan Fletcher exited the business. The Board exercised its discretion to allow Brendan Bourke and Megan Fletcher to retain a pro-rated proportion of their year ended 30 June 2011 Performance Awards (13,233 Performance Awards retained by Brendan Bourke and 5,761 Performance Awards retained by Megan Fletcher). These awards are subject to post-employment vesting, to be tested at the normal vesting date based on achievement of the performance measures. Brendan Bourke forfeited 107,739 Performance Awards. The value of the forfeited awards at the grant date was \$422,876. Megan Fletcher forfeited 46,907 Performance Awards. The value of the forfeited awards at the grant date was \$184,110.*

F LEGACY LTI PLANS

The Group has a number of legacy LTI plans that are no longer offered but which have existing participants. Details of these plans are set out below:

FY2008 Performance Rights Plan (PRP) (Performance Rights for Australian and overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2007
Vesting date:	1 Nov 2010
Fair value per right at grant date:	TSR \$3.50, Statutory EBITDA and DRIVE management fee \$5.96
Spot price at grant date:	\$7.29

Details of plan

Participants were granted Performance Rights that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures. Each Performance Right entitled the participant to one fully paid Transurban security. Performance Rights which did not vest after testing of the performance measures lapsed.

Overseas participants were granted Performance Rights which provided for cash payments upon vesting, subject to the achievement of performance measures.

Performance measures and targets

For Australian participants, the PRP had two performance measures, statutory EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

For overseas participants, the PRP had two performance measures, DRIVE management fee growth and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Rights that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

38 Key management personnel disclosures (continued)

Statutory EBITDA and DRiVe management fee vesting schedule	
% compound statutory EBITDA annual growth	% of Performance Rights that vest
10%	50%
Between 10% and 15%	Straight line vesting between 50-100%
15% or more	100%
% compound growth of DRiVe management fee	% of Performance Rights that vest
20%	50%
Between 20% and 25%	Straight line vesting between 50-100%
25% or more	100%

Result - movements in plan for the year ended 30 June 2011

The 2008 award matured on 1 November 2010. 84.44 per cent of awards subject to the TSR performance measure vested based on the Group's ranking against the constituents of the S&P/ASX 100. 15.56 per cent of the TSR awards were forfeited. None of the awards subject to the statutory EBITDA growth or DRiVe management fee growth measures vested as the prescribed performance targets were not met. Therefore, 100 per cent of the EBITDA/DRiVe awards were forfeited.

The following Transurban securities and Performance Rights lapsed and vested during the year ended 30 June 2011 for the following KMP:

Name	Lapsed		Vested	
	Number	Value (\$)	Number	Value (\$)
B Bourke	53,653	301,999	39,204	137,215
K Daley	45,398	255,536	33,173	116,104
M Fletcher	6,438	36,237	4,704	16,465
A Head	8,584	48,319	6,273	21,954
M Kulper	44,362	249,705	32,416	113,455

38 Key management personnel disclosures (continued)

FY2009 Executive Equity Plan (EEP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2008
Vesting date:	1 Nov 2011
Grant price:	\$5.22
Value per unit at grant date:	\$4.27

Details of plan

Australian participants received a grant of Transurban securities at no cost subject to disposal restrictions for three years from the grant date.

Executives based outside Australia received a grant of Performance Rights at no cost which entitles participants to receive Transurban securities which vest at the end of a three year vesting period.

Performance targets

Vesting is based on service during the three year performance period.

Movements in plan for the year ended 30 June 2011

The Board exercised its discretion in awarding 19,146 securities to Brendan Bourke, and 19,146 securities to Megan Fletcher. The value of these securities under the Plan was \$81,753 and \$81,753 respectively.

FY2009 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2008
Vesting date:	1 Nov 2011
Fair value per right at grant date:	TSR \$3.30, Proportional EBITDA \$4.27
Spot price at grant date:	\$5.22

Details of plan

Participants were granted Performance Awards that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures.

Each Performance Award entitles the participant to one fully paid Transurban security. Performance Awards which do not vest after testing of the performance measures will lapse.

The Board has discretion to award cash payments of equivalent value upon vesting.

Performance targets

The PAP has two performance measures, proportional EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

The awards are tested at the end of each year of the three year performance period. If the performance measures are satisfied for the year, one third of the awards are preserved until the vesting date. A retest is applied at the end of each subsequent year for each tranche, up to year three. At the end of the three years a cumulative test of the performance measures is applied to any unvested awards.

38 Key management personnel disclosures (continued)

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA vesting schedule

% compound proportional EBITDA annual growth	% of Performance Awards that vest
5%	50%
Between 5% and 9%	Straight line vesting between 50-100%
9% or more	100%

Movements in plan for the year ended 30 June 2011

The table below sets out the performance targets achieved over the testing period, banked awards and unvested awards from each tranche which vested in the period.

Performance measure	Number of awards banked in tranche 1	Number of awards banked in tranche 2	Number of unvested awards from tranches 1 & 2 which vested in the year	Number of awards banked in tranche 3	Number of unvested awards from tranche 3 which vested in the year	Number of awards for testing 1 Nov 2011
TSR	-	207,475	-	To be calculated 1 Nov 2011	To be calculated 1 Nov 2011	422,582
Proportional EBITDA	181,810	182,785	6,956	185,690	19,192	-

During the year ended 30 June 2011, 9,713 performance awards were forfeited by Brendan Bourke. The value of the forfeited awards was \$36,764. 3,964 performance awards were forfeited by Megan Fletcher. The value of the forfeited awards was \$15,004. The Board exercised its discretion to allow pro-rata amounts of outstanding Performance Awards to continue subject to the terms and conditions of the plan (75,752 awards for Brendan Bourke at a grant value of \$286,721; 30,920 awards for Megan Fletcher and a grant value of \$117,032).

38 Key management personnel disclosures (continued)

FY2010 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan terms and conditions

Grant date:	11 Dec 2009
Vesting date:	11 Dec 2012
Fair value per right at grant date:	TSR \$3.33, Proportional EBITDA \$4.97
Spot price at grant date:	\$5.55

Details of plan

Participants were granted Performance Awards that entitle them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures.

Each Performance Award entitles the participant to one fully paid Transurban security. Performance Awards which do not vest after testing of the performance measures will lapse.

The Board has discretion to award cash payments of equivalent value upon vesting.

Performance targets

The PAP has two performance measures, proportional EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

The awards are tested at the end of the three year performance period only.

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA vesting schedule

% compound proportional EBITDA annual growth	% of Performance Awards that vest
6%	50%
Between 6% and 9%	Straight line vesting between 50-100%
9% or more	100%

Movements in plan for the year ended 30 June 2011

During the year ended 30 June 2011, 64,814 Performance Awards were forfeited by Brendan Bourke. The value of the forfeited awards was \$268,980. 28,218 Performance Awards were forfeited by Megan Fletcher. The value of the forfeited awards was \$117,105.

The Board exercised its discretion to allow pro-rata amounts of outstanding Performance Awards to continue subject to the terms and conditions of the plan (44,236 awards for Brendan Bourke at a grant value of \$183,579; 19,260 awards for Megan Fletcher at a grant value of \$79,929).

38 Key management personnel disclosures (continued)

G REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

Remuneration for the years ended 30 June 2011 and 30 June 2010

Remuneration for the years ended 30 June 2011 and 30 June 2010										
	Short-term employee benefits			Post-employment benefits	Long term benefits	Termination benefits	Share based benefits ³			Total
	Cash salary and fees	Cash Bonus ¹	Non-monetary benefits ²	Superannuation	Long service leave		2008 PRP	2009,2010 & 2011 PAP	2009 EEP	
Executive director, CEO										
C Lynch										
2011	2,033,360	2,461,680	18,557	47,500	21,309	-	-	2,054,484	113,261	6,750,151
2010	2,030,860	2,740,000	6,049	50,000	-	-	-	1,079,488	113,261	6,019,658
Other KMP										
B Bourke ^{4,5}										
2011	456,860	254,163	9,097	58,333	-	958,759	(227,067)	132,745	36,476	1,679,366
2010	687,093	432,400	6,049	49,107	13,148	-	24,800	346,315	132,046	1,690,958
D Cardiff										
2011	-	-	-	-	-	-	-	-	-	-
2010	157,544	-	-	10,420	4,443	268,637	5,425	(65,233)	(29,389)	351,847
K Daley										
2011	702,287	431,438	123,596	48,995	11,627	-	(192,133)	345,116	27,226	1,498,152
2010	706,407	1,271,200	53,677	49,004	14,168	-	-	280,674	27,226	2,402,356
M Fletcher ⁴										
2011	227,968	110,656	3,114	22,917	-	402,234	(27,246)	55,612	36,476	831,731
2010	296,196	185,050	-	24,481	11,697	-	-	95,895	27,226	640,545
A Head										
2011	541,554	323,640	6,232	24,243	25,662	-	(36,330)	218,883	27,226	1,131,110
2010	376,772	271,300	-	24,330	15,080	-	3,488	127,201	27,226	845,397
S Hogg										
2011	433,494	241,285	5,882	25,000	3,342	-	-	151,828	21,780	882,611
2010	134,569	49,500	-	11,292	-	-	-	65,449	21,780	282,590
T Honan										
2011	976,398	587,250	8,178	25,000	-	-	-	640,437	121,547	2,358,810
2010	976,396	648,250	-	25,000	-	-	-	406,064	121,547	2,177,257
M Kulper										
2011	1,017,385	573,750	8,199	9,800	19,690	-	(187,748)	554,433	34,049	2,029,558
2010	1,126,355	725,390	-	8,729	52,446	-	-	415,367	34,049	2,362,336
E Mildwater										
2011	540,797	319,633	6,311	25,000	5,419	-	-	207,150	27,226	1,131,536
2010	410,093	273,750	-	24,330	-	-	-	87,458	27,226	822,857
Total										
2011	6,930,103	5,303,495	189,166	286,788	87,049	1,360,993	(670,524)	4,360,688	445,267	18,293,025
2010	6,902,285	6,596,840	65,775	276,693	110,982	268,637	33,713	2,838,678	502,198	17,595,801

Notes:

- 1 The amount represents cash STI payments to the Senior Executive for the year ended 30 June 2011, which will be paid in August 2011.
- 2 Non-monetary benefits include Group insurance, vehicle allowance and expatriate allowances (where relevant).
- 3 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 awarded under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of Performance Awards at the date of their grant has been independently determined in accordance with AASB 2. The TSR component of the Performance Awards has been valued applying a Monte-Carlo simulation to model Transurban's security price and TSR performance against the comparator group performance. The assumptions underpinning these valuations are set out in Note 35 to the financial statements.
- 4 As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke and Megan Fletcher exited the business. Their STI payments for the year ended 30 June 2011 are detailed on page 185. The Board exercised its discretion to allow pro-rata amounts of outstanding LTI awards to continue subject to post-employment vesting, as detailed in the legacy LTI plan information at sections E and F. Their termination benefits include accrued annual leave, long service leave, payment in lieu of notice and ex-gratia payment.
- 5 Brendan Bourke participated in the ShareLink Investment Tax Exempt Plan (receiving securities to the value of \$250) and the ShareLink Tax Deferred Plan (receiving securities to the value of \$1,500) for the year ended 30 June 2011.

38 Key management personnel disclosures (continued)

H ADDITIONAL REMUNERATION INFORMATION

(I) EMPLOYEE SECURITY PLANS

The Group operates three broad employee-based security plans as described below.

ShareLink Incentive Plan

Under this plan, subject to Board approval, an allocation of securities or cash payments may be made to eligible employees (excluding the CEO but including other Senior Executives) in recognition of the Group's prior year performance.

Eligible employees received a grant of 100 securities at no cost to them on 23 February 2011. Eligible employees in the US received a cash payment of equivalent value in lieu of securities.

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

ShareLink Investment Tax Exempt Plan and ShareLink Investment Tax Deferred Plan

The ShareLink Investment Tax Exempt Plan provides eligible employees the opportunity to invest up to \$1,000 per annum in Transurban securities, on a tax-exempt basis. Participants contribute up to \$500 by way of salary sacrifice, which is matched by the Group dollar for dollar. Acquisitions are made quarterly in September, December, March and June each year.

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

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

(II) DEALINGS IN SECURITIES

In accordance with the Group's Dealing in Securities Policy, employees who have awards under an LTI plan may not hedge against those awards.

Employees and Directors are not permitted to obtain margin loans using Transurban securities (either solely or as part of a portfolio) as security for loans.

38 Key management personnel disclosures (continued)

(III) SERVICE AGREEMENTS

The remuneration and other terms of employment for the CEO and other Senior Executives are formalised in service agreements which have no specified term. Each of these agreements provides for access to performance-related STIs and other prescribed benefits.

The CEO's contract includes an entitlement to participate in an LTI plan (or equivalent cash plan). Other Senior Executives are eligible to participate in the LTI plan (or equivalent cash plans for those executives located outside Australia).

Some key aspects of the agreements in place in the year ended 30 June 2011 are outlined below:

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

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

5 LINK BETWEEN COMPANY PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The remuneration of the CEO and other Senior Executives is linked to the Group's performance through the use of targets based on the operating performance of the business for both short and long term incentives.

A GROUP PERFORMANCE AND STI

For the year ended 30 June 2011, 25 per cent of Senior Executive STIs were determined with reference to proportional EBITDA and 25 per cent with reference to proportional net costs as discussed on page 183.

Proportional EBITDA

The underlying proportional EBITDA result for the year ended 30 June 2011 was \$718.7 million, a 13.1 per cent increase from the prior year result. This result exceeded the Group's budget by 1.4 per cent, allowing the payment of 116.9 per cent of STIs attributable to proportional EBITDA. The proportional EBITDA result was driven by the Group's continued focus on cost control and the performance of the asset portfolio, characterised by strong traffic volumes on all Australian assets, particularly Melbourne's CityLink following the completion of the Southern Link Upgrade.

Refer to the graph over the following page which outlines the Group's proportional EBITDA results over the five-year period from 1 July 2006 to 30 June 2011.

Proportional net costs

The underlying proportional net costs result for the year ended 30 June 2011 was \$172.3 million, a 1.2 per cent improvement from the prior year result. This result was below the Group's budget by 9.3 per cent, resulting in the payment of 128.6 per cent of STIs attributable to proportional net costs. As with proportional EBITDA, the Group's continued focus on cost management resulted in a decrease in the cost base across operational, corporate and business development costs. A number of value initiatives implemented also contributed to the cost reductions.

Safety

For the year ended 30 June 2011, the safety performance measure resulted in the payment of 150 per cent of the eligible STI for Senior Executives based in Australia, and 133 per cent for the eligible STI for Senior Executives based in the US. The safety KPI target included several components as discussed on page 183 of which a reduction in lost time injury frequency rates was one element. In the year ended 30 June 2011, lost time injury frequency rates decreased from 3.64 to 1.17.

38 Key management personnel disclosures (continued)

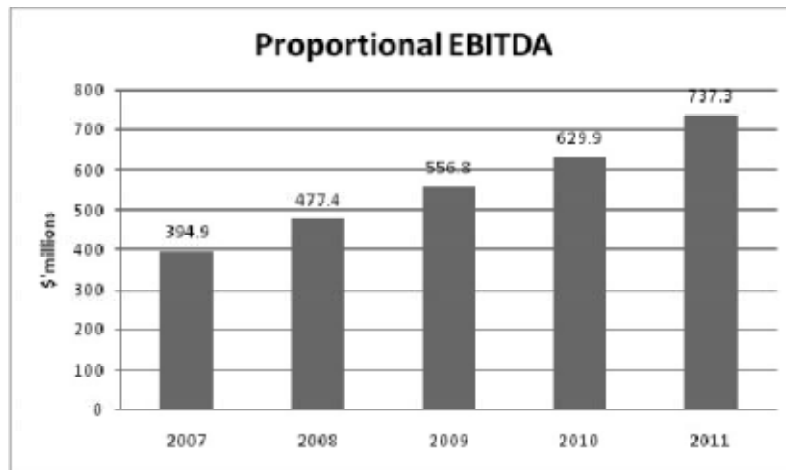
B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2011, LTIs were linked to proportional EBITDA and relative TSR. The performance targets for the current plans are outlined on pages 186 - 189.

Proportional EBITDA

The performance target for proportional EBITDA of between 7 per cent and 11 per cent compound growth was considered an appropriate target in the current economic climate and for the anticipated level of organic growth in a mature toll road portfolio. Ring fencing arrangements mean that only the existing portfolio of assets contribute to the calculation.

In general, LTI targets have been based on cumulative performance in relation to proportional EBITDA over preceding years. The following graph shows the growth in proportional EBITDA from 1 July 2006. This growth is driven by increased traffic volumes and revenue collection processes and more specifically cost control that has been a focus of the Group since 2008.



1. The result for the year ended 30 June 2010 includes the M4 until 15 February 2010 when the concession deed ended and includes Lane Cove Tunnel from 10 August 2010.

The table below illustrates the Group's annual compound growth for the relevant non market measure of each plan:

LTI plan	Group compound growth as at 30 June 2011
Performance Awards Plan 2009	8.2%
Performance Awards Plan 2010	10.2%
Performance Awards Plan 2011	15.2%

TSR performance

The table below summarises the relative TSR performance over the performance period to date in respect of unvested LTIs:

LTI plan	Group TSR growth from start of performance period to 30 June 2011	Transurban's indicative percentile ranking compared to comparator group
Performance Awards Plan 2009	13.87%	50.00%
Performance Awards Plan 2010	3.12%	48.84%
Performance Awards Plan 2011	2.81%	60.44%

38 Key management personnel disclosures (continued)

Distributions paid over the past five financial years are summarised in the table below:

Amount (cents)	Ex date	Payment date
14.00	24 Jun 2011	11 Aug 2011
13.00	23 Dec 2010	15 Feb 2011
12.00	24 Jun 2010	27 Aug 2010
12.00	23 Dec 2009	26 Feb 2010
11.00	24 Jun 2009	28 Aug 2009
11.00	23 Dec 2008	27 Feb 2009
29.00	24 Jun 2008 *	29 Aug 2008
28.00	21 Dec 2007 *	27 Feb 2008
27.50	29 Jun 2007 *	27 Aug 2007
26.50	22 Dec 2006 *	28 Feb 2007
25.50	26 Jun 2006 *	25 Aug 2006

* Distributions made under previous distribution policy no longer applied by the Group.

6 NON-EXECUTIVE DIRECTOR REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

A REMUNERATION POLICY

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

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

38 Key management personnel disclosures (continued)

B REMUNERATION ARRANGEMENTS

Maximum aggregate remuneration

The amount of aggregate remuneration that may be paid to Non-Executive Directors in any year is capped at a level approved by security holders. The current aggregate fee pool of \$2,400,000 per year (inclusive of superannuation contributions) was approved by security holders at the 2010 AGM. No change to this amount is proposed for the year ending 30 June 2012.

The aggregate fee pool and the manner in which it is apportioned amongst Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board. In conducting the review, the Remuneration Committee takes market benchmarking advice from independent remuneration consultants.

2011 Non-Executive Director fees

There was no increase in Non-Executive Directors fees during the year end 30 June 2011. Non-executive director fees were last increased in January 2010.

Current base (Director) fees and Committee¹ fees per year are set out below:

	Chair fee \$	Member fee \$
Board	455,000	170,000
Audit and Risk Committee	40,000	20,000
Nomination Committee	10,000	10,000
Remuneration Committee	25,000	20,000

¹ The Sustainability Committee was disbanded on 11 August 2010 and is no longer a separate Committee of the Board. The Chair fee of \$25,000 per year and the member fee of \$15,000 per year ceased on 11 August 2010.

The Chairman of the Board does not receive any additional fees for his Committee responsibilities.

Non-Executive Directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during the year ended 30 June 2011.

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.

Retirement benefits

In September 2005, the Board resolved to discontinue previously provided retirement benefits for Non-Executive Directors with effect from 30 September 2005. The value of benefits accrued up to this date attracts interest at the statutory fringe benefits rate. Accrued 'frozen' retirement benefits plus interest will be paid to Geoff Cosgriff and Jeremy Davis on their retirement from the Board. No other current Non-Executive Directors are entitled to any retirement benefits.

The following table details the retirement benefit amounts provided and expensed in the years ended 30 June 2011 and 30 June 2010:

	2011 financial year \$	2010 financial year \$
Accrued – Geoff Cosgriff	16,301	15,210
Accrued – Jeremy Davis	27,155	25,338

No retirement benefits were paid out in the current year (2010: \$nil).

ShareLink Investment Tax Deferred Plan

Under the ShareLink Investment Tax Deferred Plan, Non-Executive Directors are able to sacrifice up to 50 per cent of their pre-tax fees to acquire up to \$5,000 of Transurban securities per annum through a tax deferred arrangement.

38 Key management personnel disclosures (continued)

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-Executive Directors' remuneration for the years ended 30 June 2011 and 30 June 2010 are set out below:

	Short-term benefits	Post-employment benefits		Total
	Fees	Superannuation Contributions ¹	Retirement benefits ²	
Current Non-Executive Directors				
Lindsay Maxsted (Appointed Chairman 12 August 2010)				
2011	394,593	35,513	-	430,106
2010	194,826	17,534	-	212,360
Neil Chatfield				
2011	199,828	17,985	-	217,813
2010	167,818	15,104	-	182,922
Geoff Cosgriff				
2011	188,153	16,934	16,301	221,388
2010	171,880	15,469	15,210	202,559
Jeremy Davis				
2011	201,920	27,750	27,155	256,825
2010	175,084	22,500	25,338	222,922
Bob Edgar				
2011	196,552	17,690	-	214,242
2010	155,739	14,016	-	169,755
Rodney Slater				
2011	155,268	-	-	155,268
2010	125,975	10,932	-	136,907
Bob Officer (Appointed 20 August 2010)				
2011	141,066	12,696	-	153,762
2010	-	-	-	-
Samantha Mostyn (Appointed 8 December 2010)				
2011	93,996	8,460	-	102,456
2010	-	-	-	-
Jennifer Eve				
2011	91,484	-	-	91,484
2010	77,315	-	-	77,315
James Keyes				
2011	34,984	-	-	34,984
2010	39,597	-	-	39,597
Former Non-Executive Directors				
David Ryan (Resigned 12 August 2010)				
2011	49,199	4,428	-	53,627
2010	401,546	36,139	-	437,685
Total 2011	1,747,043	141,456	43,456	1,931,955
Total 2010	1,509,780	131,694	40,548	1,682,022

1 Superannuation contributions are made on behalf of Non-Executive Directors at a rate of 9% to satisfy the Group's obligations under applicable Superannuation Guarantee legislation.

2 Amounts provided for by the Group during the financial year in relation to the contractual retirement benefits which the Non-Executive Director will be entitled to upon retirement from the Board.

38 Key management personnel disclosures (continued)

7 GLOSSARY OF TERMS

Term	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Free Cash Flow (FCF) per security	Within Transurban, FCF per security is defined as: • Group's cash flow from operating activities • Less: Cash flows from operating activities of non-100% owned controlled assets • Add Back: Maintenance Capital Expenditure for 100% owned assets • Less: Accounting charge for maintenance provision for the year • Less: Actual tag expenditure in 100% owned assets • Add: Dividends received from non-100% owned assets • Divided by: Weighted average of securities issued.
Key Management Personnel (KMP)	Those persons having authority and responsibility for planning, directing and controlling the major activities of the Group and Transurban Holdings Limited, directly or indirectly, including any Director (whether executive or otherwise), as listed on page 177.
Long term incentive (LTI)	An 'at risk' component of executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance measures over a performance period of three years.
Proportional EBITDA	EBITDA calculated based on percentage of Transurban asset ownership as follows: CityLink (100%), Hills M2 (100%), LCT (100%), Roam (100%), Tollaust (100%), M1 Eastern Distributor (75.1%), M5 (50%), M7 (50%) and DRIVE (75% including 67.5% of Capital Beltway Express and 75% of Pocahontas 895). The proportional EBITDA result is included in the audited financial statements.
Proportional net costs	Net costs include the operating, corporate and business development costs of the Group less non-toll revenues (fees and other).
Relative total shareholder return (TSR)	TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income which was reinvested on a pre-tax basis. Relative TSR measures the return on investment of a company relative to a peer group of companies. Relative TSR is one of the performance measures in determining the vesting of Transurban LTI program.
Senior Executives	The executives who are the KMP of the Group (including the CEO), as listed on page 178.
Short term incentive (STI)	An "at" risk component of executive remuneration under which a cash reward may be payable based on achievement of individual and Group performance measures.
Statutory EBITDA	100% of the EBITDA from controlled entities (CityLink, Hills M2, LCT, M1 Eastern Distributor, Roam, Tollaust) regardless of Transurban's ownership percentage. It excludes the EBITDA contribution from non-controlled interests (M5 Motorway, Westlink M7 and DRIVE).
Total employment cost (TEC)	Base salary and other benefits including superannuation paid to an executive.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 132 to 201 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of the directors.



Lindsay P Maxsted
Director



Christopher J Lynch
Director

Melbourne
3 August 2011

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
website: www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Independent audit report to the members of Transurban Holding Trust

Report on the financial report

We have audited the accompanying financial report of Transurban Holding Trust (the Trust), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban Holding Trust Group (the Group). The Group comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Transurban Infrastructure Management Limited, the Responsible Entity of the Trust, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independent audit report to the members of Transurban Holding Trust (continued)

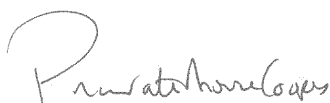
Independence

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

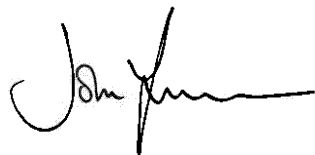
Auditor's opinion

In our opinion:

- (a) the financial report of Transurban Holding Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.



PricewaterhouseCoopers



John Yeoman
Partner

Melbourne
3 August 2011

Transurban International Limited and Controlled Entities

ARBN 121 746 825

Annual financial report for the year ended 30 June 2011

Transurban International Limited ARBN 121 746 825
Annual financial report - 30 June 2011

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Directors' report

The directors of Transurban International Limited present their report on the consolidated entity (and referred to as "the Group") consisting of Transurban International Limited (TIL or the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Transurban International Limited forms part of the Transurban Group. The securities of the entities comprising Transurban Group are stapled. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holding Trust. None of the components of the Stapled Security can be traded separately.

Directors

With the exception of the changes noted below, the following persons were directors of the Company during the whole of the financial year and up to the date of this report.

Non-executive directors

Lindsay P Maxsted (Appointed 12 August 2010)

David J Ryan AO (Resigned 12 August 2010)

Jennifer S Eve

James M Keyes

Executive director

Christopher J Lynch

Principal activities

During the year the Group's principal activity was providing management services to, and acting as the holding entity of, the Transurban Group's investment in Transurban DRIVE Holdings LLC (DRIVE), an unlisted co-investment vehicle which invests in existing and new toll roads and similar or related opportunities in North America. The Group currently holds a 75 per cent interest in DRIVE.

Dividends

No dividends were declared or paid during the financial year.

Review of operations

The consolidated net loss for the year ended for the Group was \$28,448,000 (2010: \$34,112,000).

Key highlights for the Group during the period were as follows:

Pocahontas 895 (Virginia USA)

Toll revenue for the year ended 30 June 2011 for Pocahontas 895 increased 2.4 per cent to \$14.1 million. Average daily trips increased 1.8 per cent.

On 13 January 2011 the Richmond Airport Connector, linking Richmond International Airport with Pocahontas 895, was opened for traffic. This completed a two year construction of the connector.

Capital Beltway Express (Virginia USA)

Construction on the Capital Beltway (I-495) High Occupancy Toll (HOT) lane project is now more than 70 per cent complete after a very strong construction period. The construction project remains on budget and on track for completion in late 2012, with first tolls expected in 2013.

Other corporate activities

Organisational restructure

On 27 January 2011 Transurban announced a restructured Executive Committee. The amended organisational structure is aligned with Transurban's focus to ensure clear market based accountability at the senior executive level, and concentrate efforts around regional and market based relationships with the respective Government customers and communities Transurban serves.

Review of operations (continued)

Cost Control

Cost control and efficiency continues to be a strong focus of the Group for year ended 30 June 2011. The Group has a long term target of flat nominal costs.

Significant changes in the state of affairs

There were no significant changes to the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

At the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2011 that have significantly affected or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

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

Information on directors

Lindsay P Maxsted Dip Bus, FCA.

Chairman and independent non-executive director

Term of office

Director and Chairman since 12 August 2010.

Lindsay was the CEO of KPMG Australia between 2001 and 2007. His principal area of practice prior to becoming CEO was in the corporate recovery field managing a number of Australia's largest insolvency/workout/turnaround engagements. He is currently the Managing Director of Align Capital Pty Ltd, a non-executive director of BHP Billiton Limited and BHP Billiton plc, a non-executive director of Westpac Banking Corporation, and Honorary Treasurer of Baker IDI Heart and Diabetes Institute. He was previously the non-executive Chairman of VicRacing Pty Ltd and a non-executive director of St George Bank Limited.

Lindsay holds interests in 30,000 Stapled Securities.

Transurban Board Committee membership

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

Christopher J Lynch B Comm, MBA, FCPA.

Chief Executive Officer

Term of office

Director since 18 February 2008. CEO since April 2008.

Chris came to Transurban from one of the world's largest resourcing and mining companies, BHP Billiton. He held a series of senior appointments there, including 5 years as CFO. His last position at BHP Billiton was Executive Director and Group President - Carbon Steel Materials. Prior to his time at BHP Billiton the bulk of Chris' career was with Alcoa Inc where his roles included Vice President and CIO, CFO Europe, and Managing Director of KAAL Australia Limited.

Chris has experience in senior leadership roles in global corporations operating across multiple markets and the development and operation of major projects with large up-front capital requirements.

Chris is also an AFL Commissioner.

Chris holds interests in 255,401 Stapled Securities and 1,100,932 Performance Awards.

Information on directors (continued)

Jennifer S Eve BA, LLB (Hons), LLM in Corporate Law.

Independent non-executive director

Term of office

Director since 18 September 2006.

Jennifer is an associate and member of the Funds and Investment Services Team within the Corporate and Commercial Practice Group at offshore law firm Appleby. She practices in the area of company and commercial law, specialising in the formation and administration of investment vehicles. Jennifer also has experience involving debt restructuring and intergroup restructuring. She is a local team member of the Segregated Accounts Portfolio Team and the Global Islamic Finance Team.

Jennifer was educated in Bermuda, Canada and the United Kingdom. She is a member of the Bar of England and Wales (non-practising) and Bermuda.

Jennifer holds no Stapled Securities.

James M Keyes MA. (Hons).

Independent non-executive director

Term of office

Director since 18 September 2006.

James is Managing Director of Renaissance Capital. He is responsible for the Bermuda office, which he established for Renaissance in 2008. He was previously a partner at offshore law firm Appleby. He practised as a lawyer for over 15 years, specialising in mutual funds, corporate finance and securities.

James attended Oxford University in England and graduated as a Rhodes Scholar.

James holds no Stapled Securities.

Company secretaries

Amanda Street LLB (Hons), BComm.

Amanda joined Transurban in September 2008 and was appointed as Company Secretary in February 2011. Before joining Transurban, Amanda was Assistant Company Secretary at SP Ausnet and Senior Corporate Counsel at National Australia Bank. She has over 10 years of legal, company secretarial and other relevant experience. Prior to her in-house work, Amanda was a solicitor specialising in M&A work with Australian law firm Mallesons.

Stephen Byrne LLB, BEc, Dip Leg. Practice.

Stephen joined Transurban in February 2010 as General Counsel, Australia. He is responsible for all Australian legal matters. He has over 16 years of legal, company secretarial and other relevant experience, mostly within the infrastructure and chemicals sector. Stephen is an experienced manager of legal teams, having previously held General Counsel roles with Veolia Water (Australia, New Zealand) and BOC Gases (Asia Pacific, the Americas), where his work included large engineering projects, joint ventures and M&A.

Appleby Services (Bermuda) Ltd

Appleby Services (Bermuda) Ltd is a wholly owned subsidiary of the global law firm Appleby and is licensed to conduct trust business by the Bermudan Monetary Authority. Appleby Services (Bermuda) Ltd, through its corporate administration and trust services divisions, provides company secretarial services to TIL.

Meetings of directors

The number of meetings of the Board held during the year ended 30 June 2011, and the numbers of meetings attended by each director are set out in the following table:

	Attended	Held#
Lindsay P Maxsted (Appointed 12 August 2010)	3	3
David J Ryan (Resigned 12 August 2010)	1	1
James M Keyes	4	4
Jennifer S Eve	4	4
Christopher J Lynch	4	4

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

The number of meetings of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director are set out in the following table:

	Audit and Risk Committee⁽¹⁾		Remuneration Committee⁽²⁾		Nomination Committee⁽³⁾		Sustainability Committee⁽⁴⁾	
	Attended	Held#	Attended	Held#	Attended	Held#	Attended	Held#
Lindsay P Maxsted (Appointed 12 August 2010)	7	7	5	*	3	3	1	1
David J Ryan (Resigned 12 August 2010)	2	2	2	2	*	*	1	1
James M Keyes	*	*	*	*	*	*	*	*
Jennifer S Eve	*	*	*	*	*	*	*	*
Christopher J Lynch	7	*	11	*	3	*	1	*

= Number of meetings held during the time the director held office or was a member of the committee

* = Not a member of the relevant committee

⁽¹⁾Chris Lynch was not a member of the Audit and Risk Committee but attended meetings during the year.

⁽²⁾Chris Lynch and Lindsay Maxsted were not members of the Remuneration Committee but attended meetings during the year. Chris Lynch was excluded from discussions involving his remuneration during meetings of the Remuneration Committee which he attended.

⁽³⁾Chris Lynch was not a member of the Nomination Committee but attended meetings during the year.

⁽⁴⁾The Sustainability Committee was disbanded on 10 August 2010 and is no longer a separate committee of the Board. Chris Lynch was not a member of the Sustainability Committee but attended the meeting during the year.

2011 REMUNERATION REPORT

INTRODUCTION

The Remuneration Report, prepared in accordance with section 300A of the Corporations Act 2001, contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who are the 'key management personnel' (**KMP**) of the Group. The KMP include the five highest remunerated executives of the Group and Transurban Holdings Limited for the year ended 30 June 2011, and are listed in the tables below:

Senior Executives	Non-Executive Directors
<i>Name and position</i>	<i>Name</i>
Chris Lynch, Executive Director, Chief Executive Officer (CEO)	Lindsay Maxsted (<i>appointed as Chairman on 12 August 2010</i>)
Brendan Bourke, ¹ Chief Operating Officer	David Ryan (<i>resigned as Chairman on 12 August 2010</i>)
Ken Daley, President, International Development	Jennifer Eve
Megan Fletcher, ¹ Group General Manager, Public Affairs	James Keyes
Andrew Head, ¹ Group General Manager, NSW	
Samantha Hogg, ¹ Group General Manager, Corporate Services	
Tom Honan, Chief Financial Officer	
Michael Kulper, President, North America	
Elizabeth Mildwater, ¹ Group General Manager, Victoria	

¹ As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke ceased as Chief Operating Officer with effect from 28 February 2011 and Megan Fletcher ceased as Group General Manager, Public Affairs with effect from 4 February 2011. Andrew Head changed role from Group General Manager, Strategy and Development to Group General Manager, NSW. Samantha Hogg (previously Acting Group General Manager, People, Legal and Governance) was appointed as Group General Manager, Corporate Services, and Elizabeth Mildwater changed role from Group General Manager, People Legal and Governance to Group General Manager, Victoria, all with effect from 1 February 2011. Elizabeth Mildwater resigned as Company Secretary on 9 February 2011.

A comprehensive review of the Group's remuneration framework has been undertaken in light of feedback received from security holders and other stakeholders on the Group's remuneration arrangements, market expectations and regulatory developments. As a result, the Board has approved a new remuneration framework for the year ending 30 June 2012, details of which are summarised on page 212 and will be disclosed in detail in next year's Remuneration Report.

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The remuneration information contained in the Remuneration Report is presented as follows:

1	Changes to the remuneration framework for the year ending 30 June 2012	Page 212
2	Remuneration governance	Page 213
3	Remuneration in context	Page 213
4	CEO and Senior Executive remuneration for the year ended 30 June 2011	Page 214
5	Link between Group performance, security holder wealth and remuneration	Page 229
6	Non-Executive Director remuneration for the year ended 30 June 2011	Page 231
7	Glossary of terms	Page 233

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

1 CHANGES TO THE REMUNERATION FRAMEWORK FOR THE YEAR ENDING 30 JUNE 2012

A NEW REMUNERATION FRAMEWORK

Following the 2010 Annual General Meeting (**AGM**), the Remuneration Committee on behalf of the Board undertook a comprehensive review of the Group's remuneration framework for Senior Executives and senior managers, with assistance from independent advisers Ernst & Young. Feedback received from security holders and other stakeholders, market expectations and regulatory developments were all considered as part of the review.

In undertaking the review, the Remuneration Committee sought to balance the needs and expectations of security holders and other stakeholders with business strategy considerations and the need to remunerate Senior Executives and Senior Managers appropriately in a competitive marketplace, and to focus on linking performance and reward whilst taking into account the particular challenges facing the Group.

The review led to the Remuneration Committee recommending, and the Board approving, the adoption of a new remuneration framework for Senior Executives and Senior Managers effective 1 July 2011. An overview of the new framework for Senior Executives is set out below.

OVERVIEW OF THE NEW REMUNERATION FRAMEWORK FOR SENIOR EXECUTIVES

Remuneration mix

To more closely align Senior Executives' remuneration packages with security holder return and business strategy, variable and equity based components of total target remuneration will increase in the year ending 30 June 2012. With the introduction of STI deferral (see below), Senior Executives' equity exposure will increase as a percentage of total target remuneration.

	% of total Senior Executive remuneration (annualised) (at target) - 2012		
	Fixed (TEC)	Variable (performance based)	
		STI	LTI
CEO	33.3	33.3*	33.3
Other Senior Executives	45	30*	25

*With 30% STI deferral (see below).

The transition to the desired remuneration mix will be achieved over a maximum period of three years. Any remuneration package increases will be directed to STI/STI deferral.

Short term incentive (STI)

In the year ending 30 June 2012, a mandatory 30 per cent STI deferral into securities will be introduced for Senior Executives (including the CEO). The deferral period will be three years (including a one year performance period). This component of remuneration will be subject to clawback. An example of a clawback event is misconduct or misstatement of financial results. These changes reflect security holder expectations. They will also act as a positive retention tool.

Long term incentive (LTI)

The performance measures for the LTI plan for the year ending 30 June 2012 will change to the following:

- 50 per cent relative Total Shareholder Return (**TSR**) measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150; and
- 50 per cent Free Cash Flow (**FCF**) per security which reflects the Company's focus on the maximisation of free cash to drive security holder return. The definition of FCF per security is outlined in the glossary of terms on page 233. The FCF calculation is included in Note 21 Distributions in the Transurban Holdings Limited financial statements.

These measures have been selected as they are meaningful for Senior Executives and reflect security holder expectations.

The treatment of unvested LTI awards (granted in the year ending 30 June 2012) on a change of control will now be subject to Board discretion.

2 REMUNERATION GOVERNANCE

BOARD AND REMUNERATION COMMITTEE RESPONSIBILITY

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

It is critical that the Remuneration Committee is independent of management when making decisions affecting employee remuneration. Accordingly, the Remuneration Committee comprises Non Executive Directors, all of whom are independent. Where appropriate, members of management attend Remuneration Committee meetings by invitation; however they do not participate in formal decision making.

ENGAGEMENT OF REMUNERATION CONSULTANTS

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

Potential conflicts of interest are taken into account when remuneration consultants are selected, and their terms of engagement regulate their level of access to, and require their independence from, management.

During the year ended 30 June 2011, the Hay Group, an independent external consultant, were engaged to provide market remuneration data to assist the Remuneration Committee in making decisions regarding Senior Executive remuneration. In addition, the Remuneration Committee engaged Ernst & Young to provide market remuneration data and conduct an independent review of the Group's new remuneration framework for the year ending 30 June 2012.

3 REMUNERATION IN CONTEXT

Toll road concessions are an asset class characterised by defensive, predictable cash flows, which grow over the life of long dated concession agreements. There is high upfront capital expenditure during the construction phase of a project, which for quality assets shifts to a low cost, high margin cash generative business for the remainder of the concession life. The investment proposition for high quality toll road assets lies in providing investors with access to long dated, predictable, growing cash flows generated by the assets over the life of the concessions.

The Group is an international toll road developer and manager with interests in Australia and the US. The Group is focused on the long-term management of toll road assets at various stages of maturity to achieve the best outcomes for investors, government partners and the community.

In Australia, the Group's interests include 100 per cent ownership of CityLink in Melbourne, and the Hills M2 and Lane Cove Tunnel (control taken on 10 August 2010) in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1 per cent), the M5 (50 per cent), and the M7 (50 per cent). In North America, the Group has interests in two assets, Pocahontas 895 (75 per cent) and the Capital Beltway Express (67.5 per cent), which is under construction in Northern Virginia.

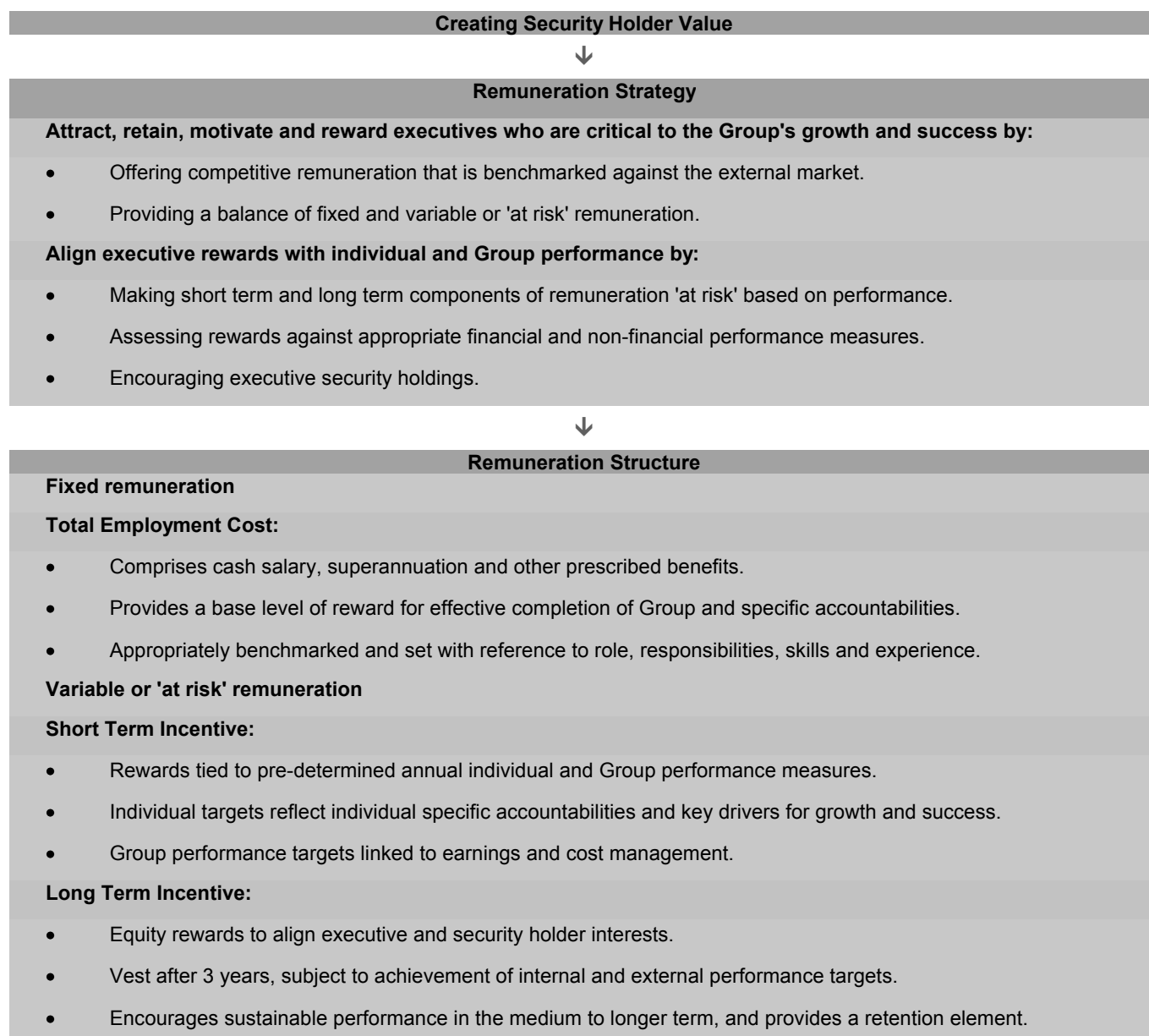
The Board and management are focused on ensuring security holder value is enhanced through the strong performance of the Group's current portfolio of assets. In addition, development activities provide opportunities to further expand the portfolio in value accretive ways. The maximisation of free cash available to security holders over the near, medium and longer term is central to achieving this aim and the Group's remuneration framework is determined having regard to this.

4 CEO AND SENIOR EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

A REMUNERATION STRATEGY AND POLICY

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

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



B REMUNERATION MIX

For the year ended 30 June 2011, the remuneration of the CEO and other Senior Executives was structured as a mix of fixed remuneration and variable or 'at risk' remuneration through short term and long term incentive components.

The relative weightings of the three remuneration components for the CEO and other Senior Executives were determined by the Board (on the recommendation of the Remuneration Committee) and are set out in the table below:

Relative weightings of remuneration components¹

	% of total remuneration (annualised) (at target) - 2011		
	Fixed (TEC)	Variable (performance based)	
		STI	LTI
CEO	34	33	33
Other Senior Executives	50	25	25

¹ These figures do not necessarily reflect the relative value derived from each of the components, which depends on actual performance against targets for the variable components (refer below). The above STI percentages are based on achieving the relevant performance targets. The above LTI percentages are based on the maximum LTI available at the time of grant to each Senior Executive if the awards granted vest at the end of the performance period. The table above reflects the percentage value of remuneration which consists of awards for each Senior Executive, apart from the CEO's LTI granted in the year ended 30 June 2011 which was granted in cash, subject to the same terms and conditions as the LTI plan offered to other Senior Executive. The CEO's LTI grant for all other years has consisted of awards.

C FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

Fixed remuneration is represented by total employment cost (TEC) comprising base salary, superannuation contributions and benefits such as salary continuance, death and disability insurance.

Fixed remuneration is not 'at risk' but is set by reference to appropriate benchmark information for an individual's responsibilities, performance, qualifications and experience.

There are no guaranteed base salary increases in any Senior Executive's employment agreement.

The Board instituted a salary freeze for the CEO and other Senior Executives for the year ended 30 June 2010. The Board determined that this freeze should continue in the year ended 30 June 2011, with three exceptions. TEC increases were given to three Senior Executives during the year. These executives changed roles as a result of the Group's organisational restructure announced on 27 January 2011. The revised remuneration was based on market remuneration data provided by the Hay Group.

How is TEC determined?

TEC levels are reviewed annually by the Remuneration Committee at the beginning of each financial year with reference to an individual's role, experience and performance, as well as relevant comparative market data. Independent remuneration consultants and surveys, internal considerations and market conditions also provide guidance. TEC is also reviewed on a change in role.

D SHORT TERM INCENTIVE (STI)

How did the STI plan operate?

The STI plan was an annual cash incentive plan linked to the attainment of specific pre-determined Group, team and individual performance measures. All permanent Group employees, including the CEO and other Senior Executives, participated in the STI plan.

For the year ended 30 June 2011, the CEO had a target STI opportunity of 100 per cent of his annualised TEC. Other Senior Executives had a target STI opportunity of 50 per cent of their annualised TEC.

The STI plan put a significant proportion of remuneration 'at risk' subject to meeting specific targets linked to the Group's business objectives. The STI plan focused participants on achieving performance targets and provided an incentive for high performance. This aligned executive interests with the Group's financial performance, as well as management principles and the Group's cultural values.

What were the STI performance measures?

STI performance measures are set at the beginning of the financial year.

There were three categories of performance measures for the CEO and other Senior Executives for the year ended 30 June 2011. They were chosen to provide a balance between corporate, individual, operational, strategic, financial and non financial aspects of performance and are described below:

STI performance measures for the year ended 30 June 2011

Performance measure and % of target award measure applies to	Target(s) for performance measure
Group performance targets 50%	To ensure that STI payments were aligned with business performance and the creation of security holder value, there were two Group performance targets: • growth in proportional EBITDA; and • cost management based on proportional net costs. Each accounted for 50% of the Group performance targets.
Shared Senior Executive Safety KPI 10%	To achieve the business objective of creating and maintaining a safety culture, the Senior Executive team shared a safety KPI. For Senior Executives based in Australia, outcomes were required in relation to: • a reduction in lost time injury frequency rates; and • achievement of AS4801 certification. For Senior Executives based in the US, outcomes were required in relation to: • maintaining zero lost time injury occurrence; • development of appropriate OHS plans; and • the completion of risk assessments.
Individual key performance indicators (KPIs) 40%	Individual KPIs are unique to the individual's area of accountability, but relate to critical business sustainability measures including: operational performance; cost reduction; customer satisfaction; project outcomes; succession planning; risk management; people management; strategy development; and business plan implementation. Individual KPIs reflect the behaviours valued by the Group, and are capable of measurement. Individuals have a clear line of sight to KPIs and are able to directly affect outcomes through their actions.

Who sets the STI performance measures?

The CEO's individual KPIs are set by the Board. All other Senior Executives' individual KPIs and the shared Senior Executive safety KPI are set by the CEO and approved by the Board. The Board sets the Group performance targets.

What is proportional EBITDA and why does Transurban use it as a performance measure?

EBITDA is a common operational performance measure used by many companies.

Proportional EBITDA is one of the primary measures that the Board uses to assess the operating performance of the Group, with an aim to maintain a focus on the Group's operating results and associated cash generation. It reflects the contribution from individual assets to the Group's operating performance and focuses on elements of the result that management can influence to drive improvements in short term earnings.

Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions. Proportional EBITDA provides a better reflection of the underlying performance of the Group's assets than statutory EBITDA. The EBITDA calculation from the statutory accounts would not include the EBITDA contribution of the M5, M7 or DRIVE (equity accounted in the statutory results), which are meaningful contributors to the Group's performance. Proportional EBITDA figures used to assess performance are included in Note 2 Segment information in the Transurban Holdings Limited financial statements.

The Board can decide to exclude specific items from proportional EBITDA to provide an underlying result when determining performance incentives. These items reflect one-off, non recurring items, both revenue and expenses, that will not contribute to the Group's performance in future periods. For the year ended 30 June 2011, the Board has excluded the release of the M4 maintenance provision, which would have increased the proportional EBITDA growth outcome.

Since 2009, proportional EBITDA has been used by the Group as a performance measure for STIs.

What is proportional net costs and why does Transurban use it as a performance measure?

The STI cost management performance measure is based on proportional net costs. Proportional net costs are the operating, corporate and business development costs of the Group less non-toll revenues (fees and other). The deduction of these non-toll revenues encourages and allows management to incur additional costs where these are justified by increased revenue results (e.g. toll collection activities such as video tolling and/or enforcement).

The inclusion of a cost-related performance measure reflects the fact that management has the ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and cash flow and ultimately security holder value. Proportional net costs was first used by the Group as an STI performance measure in the year ended 30 June 2010.

What were the proportional EBITDA and proportional net costs targets for the year ended 30 June 2011?

The proportional EBITDA and proportional net costs targets for the year ended 30 June 2011 were set against the previous year's results and the Group's 30 June 2011 budget.

The targets for the year ended 30 June 2011 are set out in the table below:

Proportional EBITDA result	% of STI that vests*	Proportional net costs result
Result is less than 7% above the underlying result for the year ended 30 June 2010	0%	Actual underlying proportional net costs are over budget for the year ended 30 June 2011
Result is 7% above the underlying result for the year ended 30 June 2010	50%	Actual underlying proportional net costs on budget for the year ended 30 June 2011
Budgeted proportional EBITDA is achieved for the year ended 30 June 2011 (which was 11.4% growth on 30 June 2010 result)	100%	Actual underlying proportional net costs are 5% below the budgeted underlying proportional net costs for the year ended 30 June 2011
Result is 17% above the underlying result for the year ended 30 June 2010	150%	Actual underlying proportional net costs are 15% below budgeted underlying proportional net costs for the year ended 30 June 2011

* straight line vesting applies between 50-100% and 100-150%

How are the varying levels of performance achievement rewarded?

STI targets are designed to differentiate and reward high performance.

50 per cent of the available STI vests for threshold performance, 100 per cent vests for on-target performance and up to an additional 50 per cent can be earned for outperformance. These targets are consistent for all of the Group's eligible employees.

Given that STI awards are contingent on performance across a range of measures, maximum STI awards can only be achieved for performance that is strong on all measures.

How is performance assessed?

Group performance targets: The performance of Senior Executives against the Group performance targets is assessed by the Board. The results are independently reviewed.

Shared Senior Executive Safety KPI: The performance against the Senior Executive team's shared KPI is assessed by the Remuneration Committee which then makes recommendations to the Board. These results are independently reviewed.

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

Once KPIs have been assessed, the Board approves STI awards. STI awards for the year ended 30 June 2011 will be paid in August 2011.

The Board believes the above methods of assessment are rigorous and transparent, and provide a balanced evaluation of the CEO and each other Senior Executive's performance.

What if a Senior Executive ceased employment?

Under the CEO's employment contract in place for the year ended 30 June 2011, if the CEO's employment was terminated by the Group other than for cause, the CEO would receive a pro-rata payment of the greater of target STI or actual performance.

Under the employment contracts in place for the year ended 30 June 2011, if a Senior Executive (excluding the CEO) ceased employment with the Group before STI targets were achieved, the Senior Executive would generally not have been entitled to receive any STI payment, unless otherwise determined by the Board.

STI performance outcomes for the year ended 30 June 2011

Group performance in respect of the proportional EBITDA and proportional net costs performance measures for the year ended 30 June 2011 was assessed by the Board as 122.7 per cent.

STI payments for the CEO and other Senior Executives for the year ended 30 June 2011 are set out in the table below:

	Actual STI awarded ²	Target STI paid	Target STI forfeited
Name	\$	%	%
Chris Lynch	2,461,680	118	-
Brendan Bourke ¹	254,163	104	-
Ken Daley	431,438	115	-
Megan Fletcher ¹	110,656	104	-
Andrew Head	323,640	117	-
Samantha Hogg	241,285	117	-
Tom Honan	587,250	117	-
Michael Kulper	573,750	115	-
Elizabeth Mildwater	319,633	115	-

¹ As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke and Megan Fletcher exited the business. Their STI awards for the year ended 30 June 2011 were pro-rated and awarded based on individual performance and Group performance which was forecasted to the end of the STI performance period.

² The threshold level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of the year ended 30 June 2011 was nil. The maximum potential value of the STI was \$6,435,000 (awarded for outperformance), excluding the exited employees. The STI payments in respect of the year ended 30 June 2011 will be paid in August 2011.

E LONG TERM INCENTIVE (LTI)

How did the LTI plan operate?

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

Participation in the LTI plan is only offered to Senior Executives, and certain other Senior Managers approved by the Board. For the year ended 30 June 2011, the CEO was offered an LTI grant equivalent to 100 per cent of his annualised TEC. Other Senior Executives were offered grants representing 50 per cent of their annualised TEC.

LTI grants are delivered in the form of Performance Awards under the Group's Performance Awards Plan (**PAP**). Each Performance Award is an entitlement to receive a fully paid Transurban security on terms and conditions determined by the Board, including the achievement of certain vesting conditions linked to performance over a three year period. If the performance measures are satisfied, the Performance Awards vest and Transurban securities will be delivered to the participant. Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, it is the Board's current intention to settle any vested Performance Awards in Transurban securities. Overseas participants were granted Performance Awards which provided for cash payments upon vesting, subject to the achievement of performance measures.

Performance Awards that do not vest after testing of the performance measures lapse.

Performance Awards are not transferable and do not carry voting or distribution rights. However securities allocated upon vesting of Performance Awards carry the same rights as other Transurban securities.

Security holder approval was not obtained at the 2010 AGM for the proposed grant of Performance Awards to the CEO. The CEO was therefore entitled under his employment agreement to receive, and did receive, a cash-based award in December 2010 subject to the terms and conditions of the LTI plan as outlined in this section.

What were the LTI performance measures?

Participants do not derive actual value from their LTI grants unless performance targets are achieved.

Performance Awards granted during the year ended 30 June 2011 are subject to the following dual performance measures over a three year performance period:

- relative TSR ranked against the S&P/ASX100 group of companies; and
- growth in proportional EBITDA.

Each measure applies to 50 per cent of the available LTI award.

What were the performance targets?

Relative TSR

For Performance Awards granted during the year ended 30 June 2011, the relative TSR component of the award will vest if the Group's relative TSR performance is at least above the median of the S&P/ASX100 group of companies at the end of the three year performance period, in accordance with the following table:

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA

For Performance Awards granted during the year ended 30 June 2011, the proportional EBITDA component of the award that will vest will depend on the Group's percentage compound proportional EBITDA growth over the three financial year performance period (including on a part-year basis), as set out below:

Proportional EBITDA vesting schedule

% compound proportional EBITDA annual growth	% of Performance Awards that vest
7%	50%
Between 7% and 11%	Straight line vesting between 50-100%
11% or more	100%

Why were these performance measures selected?

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

The proportional EBITDA target provides evidence of the Group's growth in earnings and is linked to its overall strategic objectives. The movement in proportional EBITDA reflects Transurban's underlying business performance and its goal of long term sustainable growth in earnings from existing operations.

How will be the performance targets be measured?

Relative TSR

The Group receives an independent report that sets out the Group's TSR growth and that of each company in the peer group. A volume weighted average price of securities for the one week up to and including the test date is used in the calculation of TSRs for Transurban and the comparator group.

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

Proportional EBITDA

The Group's proportional EBITDA percentage growth rate will be calculated based on EBITDA results included in the Group's audited financial statements.

The measure may be adjusted to include or exclude the relevant EBITDA from acquisitions and divestments that may occur during the performance period, in order to ring fence performance based on the known asset portfolio at the start of the performance period. In addition, the Board may decide to exclude specific items from proportional EBITDA to provide an underlying result when determining performance incentives. These adjustments reflect one-off, non recurring items, both revenue and expenses, that will not contribute to the Group's performance in future periods. The result will be subject to Board approval.

The Board believes the above methods of assessment are rigorous and provide an appropriate assessment of the Group's performance against the performance measures.

For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements.

What if a Senior Executive ceases employment?

Under the CEO's employment contract in place for the year ended 30 June 2011, if the CEO's employment was terminated by the Company other than for cause, the CEO would receive a pro-rated Performance Award calculated from his appointment anniversary date to his termination date, vesting in accordance with the performance measures under LTI plan as at the time of grant. If the CEO ceased employment with the Group before the performance measures are tested, then he would be entitled to retain any unvested Performance Awards or cash-based awards, which would vest in accordance with the performance measures under the LTI plan as at the time of grant.

Under the terms of the employment contracts in place for the year ended 30 June 2011, if Senior Executives cease employment with the Group before the performance measures are tested, their unvested Performance Awards will generally lapse, unless the Board determines otherwise.

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

LTIs form part of the CEO and Senior Executives' remuneration. In the event of a takeover or change of control of the Group, any unvested Performance Awards granted before 30 June 2011 will automatically vest. Performance Awards that vest following a change of control will not generally be subject to restrictions on dealing.

What was the grant, movement in the number and value of Performance Awards by Senior Executives during the year ended 30 June 2011?

These are summarised in tables below.

Performance Awards granted in the year ended 30 June 2011

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date ¹ (\$)	VWAP at grant date (\$)
TSR	1-Nov-10	1-Nov-13	3.23	5.31
EBITDA	1-Nov-10	1-Nov-13	4.62	5.31

¹ The fair value was calculated as at the grant date of 1 November 2010. An explanation of the pricing model used to calculate these values is set out in Note 28 to the financial statements.

Performance Awards granted in the year ended 30 June 2011

	Number of performance awards granted ²	Value at grant date	Maximum total value of grant yet to vest ³
Name		\$	\$
Chris Lynch ¹	-	-	-
Brendan Bourke ⁴	120,972	474,815	51,940
Ken Daley	123,441	484,506	484,506
Megan Fletcher ⁴	52,668	206,722	22,612
Andrew Head	90,523	355,303	355,303
Samantha Hogg	65,835	258,402	258,402
Tom Honan	164,587	646,004	646,004
Michael Kulper	170,433	668,950	668,950
Elizabeth Mildwater	90,523	355,303	355,303

Performance Awards lapse where the performance measures are not satisfied on testing. As the Performance Awards only vest on satisfaction of performance and service conditions which are to be tested in future financial periods, none of the Senior Executives forfeited Performance Awards during the year.

- 1 *The CEO was granted a cash-based award of 684,683 units, linked to Transurban's security price, on 23 December 2010 subject to the terms and conditions of the LTI plan offered for the year ended 30 June 2011. The vesting date, fair value at grant date and VWAP at grant date are equivalent to the information outlined in the table above. The value of this award at the grant date was \$2,687,381 and the maximum total value of the grant yet to vest is \$2,687,381.*
- 2 *The grants made to Senior Executives constituted their full LTI entitlement for the year ended 30 June 2011 and were made on 1 November 2010 on the terms summarised above. Performance Awards vest subject to performance over the period from 1 November 2010 through to 1 November 2013.*
- 3 *The maximum value of the grant has been estimated based on the fair value per instrument at date of grant. The minimum total value of the grant, if the applicable performance measures are not met, is nil.*
- 4 *As part of the Group's organisational restructure, Brendan Bourke and Megan Fletcher exited the business. The Board exercised its discretion to allow Brendan Bourke and Megan Fletcher to retain a pro-rated proportion of their year ended 30 June 2011 Performance Awards (13,233 Performance Awards retained by Brendan Bourke and 5,761 Performance Awards retained by Megan Fletcher). These awards are subject to post-employment vesting, to be tested at the normal vesting date based on achievement of the performance measures. Brendan Bourke forfeited 107,739 Performance Awards. The value of the forfeited awards at the grant date was \$422,876. Megan Fletcher forfeited 46,907 Performance Awards. The value of the forfeited awards at the grant date was \$184,110.*

F LEGACY LTI PLANS

The Group has a number of legacy LTI plans that are no longer offered but which have existing participants. Details of these plans are set out below:

FY2008 Performance Rights Plan (PRP) (Performance Rights for Australian and overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2007
Vesting date:	1 Nov 2010
Fair value per right at grant date:	TSR: \$3.50, Statutory EBITDA and DRIVE management fee \$5.96
Spot price at grant date:	\$7.29

Details of plan

Participants were granted Performance Rights that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures. Each Performance Right entitled the participant to one fully paid Transurban security. Performance Rights which did not vest after testing of the performance measures lapsed.

Overseas participants were granted Performance Rights which provided for cash payments upon vesting, subject to the achievement of performance measures.

Performance measures and targets

For Australian participants, the PRP had two performance measures, statutory EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

For overseas participants, the PRP had two performance measures, DRIVE management fee growth and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Rights that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Statutory EBITDA and DRIVE management fee vesting schedule

% compound statutory EBITDA annual growth	% of Performance Rights that vest
10%	50%
Between 10% and 15%	Straight line vesting between 50-100%
15% or more	100%
% compound growth of DRIVE management fee	% of Performance Rights that vest
20%	50%
Between 20% and 25%	Straight line vesting between 50-100%
25% or more	100%

Result - movements in plan for the year ended 30 June 2011

The 2008 award matured on 1 November 2010. 84.44 per cent of awards subject to the TSR performance measure vested based on the Group's ranking against the constituents of the S&P/ASX 100. 15.56 per cent of the TSR awards were forfeited. None of the awards subject to the statutory EBITDA growth or DRIVE management fee growth measures vested as the prescribed performance targets were not met. Therefore, 100 per cent of the EBITDA/DRIVE awards were forfeited.

The following Transurban securities and Performance Rights lapsed and vested during the year ended 30 June 2011 for the following KMP:

Name	Lapsed		Vested	
	Number	Value (\$)	Number	Value (\$)
B Bourke	53,653	301,999	39,204	137,215
K Daley	45,398	255,536	33,173	116,104
M Fletcher	6,438	36,237	4,704	16,465
A Head	8,584	48,319	6,273	21,954
M Kulper	44,362	249,705	32,416	113,455

FY2009 Executive Equity Plan (EEP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2008
Vesting date:	1 Nov 2011
Grant price:	\$5.22
Value per unit at grant date:	\$4.27

Details of Plan

Australian participants received a grant of Transurban securities at no cost subject to disposal restrictions for three years from the grant date.

Executives based outside Australia received a grant of Performance Rights at no cost which entitles participants to receive Transurban securities which vest at the end of a three year vesting period.

Performance targets

Vesting is based on service during the three year performance period.

Movements in plan for the year ended 30 June 2011

The Board exercised its discretion in awarding 19,146 securities to Brendan Bourke, and 19,146 securities to Megan Fletcher. The value of these securities under the Plan was \$81,753 and \$81,753 respectively.

FY2009 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan terms and conditions

Grant date:	1 Nov 2008
Vesting date:	1 Nov 2011
Fair value per right at grant date:	TSR \$3.30, Proportional EBITDA \$4.27
Spot price at grant date:	\$5.22

Details of plan

Participants were granted Performance Awards that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures.

Each Performance Award entitles the participant to one fully paid Transurban security. Performance Awards which do not vest after testing of the performance measures will lapse.

The Board has discretion to award cash payments of equivalent value upon vesting.

Performance targets

The PAP has two performance measures, proportional EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

The awards are tested at the end of each year of the three year performance period. If the performance measures are satisfied for the year, one third of the awards are preserved until the vesting date. A retest is applied at the end of each subsequent year for each tranche, up to year three. At the end of the three years a cumulative test of the performance measures is applied to any unvested awards.

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA vesting schedule

% compound proportional EBITDA annual growth	% of Performance Awards that vest
5%	50%
Between 5% and 9%	Straight line vesting between 50-100%
9% or more	100%

Movements in plan for the year ended 30 June 2011

The table below sets out the performance targets achieved over the testing period, banked awards and unvested awards from each tranche which vested in the period.

Performance measure	Number of awards banked in tranche 1	Number of awards banked in tranche 2	Number of unvested awards from tranches 1 & 2 which vested in the year	Number of awards banked in tranche 3	Number of unvested awards from tranche 3 which vested in the year	Number of awards for testing 1 Nov 2011
TSR	-	207,475	-	To be calculated on 1 Nov 2011	To be calculated on 1 Nov 2011	422,582
Proportional EBITDA	181,810	182,785	6,956	185,690	19,192	-

During the year ended 30 June 2011, 9,713 performance awards were forfeited by Brendan Bourke. The value of the forfeited awards was \$36,764. 3,964 performance awards were forfeited by Megan Fletcher. The value of the forfeited awards was \$15,004. The Board exercised its discretion to allow pro-rata amounts of outstanding Performance Awards to continue subject to the terms and conditions of the plan (75,752 awards for Brendan Bourke at a grant value of \$286,721; 30,920 awards for Megan Fletcher and a grant value of \$117,032).

FY2010 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan terms and conditions

Grant date:	11 Dec 2009
Vesting date:	11 Dec 2012
Fair value per right at grant date:	TSR \$3.33, Proportional EBITDA \$4.97
Spot price at grant date:	\$5.55

Details of plan

Participants were granted Performance Awards that entitle them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance measures.

Each Performance Award entitles the participant to one fully paid Transurban security. Performance Awards which do not vest after testing of the performance measures will lapse.

The Board has discretion to award cash payments of equivalent value upon vesting.

Performance targets

The PAP has two performance measures, proportional EBITDA and relative TSR against the constituents of the S&P/ASX 100, each applying to 50 per cent of the award.

The awards are tested at the end of the three year performance period only.

TSR vesting schedule

The Group's relative TSR ranking in the S&P/ASX100 Index	% of Performance Awards that vest
At or below the 50th percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Proportional EBITDA vesting schedule

% compound statutory EBITDA annual growth	% of Performance Awards that vest
6%	50%
Between 6% and 9%	Straight line vesting between 50-100%
9% or more	100%

Movements in plan for the year ended 30 June 2011

During the year ended 30 June 2011, 64,814 Performance Awards were forfeited by Brendan Bourke. The value of the forfeited awards was \$268,980. 28,218 Performance Awards were forfeited by Megan Fletcher. The value of the forfeited awards was \$117,105.

The Board exercised its discretion to allow pro-rata amounts of outstanding Performance Awards to continue subject to the terms and conditions of the plan (44,236 awards for Brendan Bourke at a grant value of \$183,579; 19,260 awards for Megan Fletcher at a grant value of \$79,929).

G REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

Remuneration for the years ended 30 June 2011 and 30 June 2010

	Short-term employee benefits			Post-employment benefits	Long term benefits	Termination benefits	Share based benefits ³			Total
	Cash salary and fees	Cash Bonus ¹	Non-monetary benefits ²	Super-annuation	Long service leave			2009,2010 & 2011 PAP	2009 EEP	
Executive director, CEO										
C Lynch										
2011	2,033,360	2,461,680	18,557	47,500	21,309	-	-	2,054,484	113,261	6,750,151
2010	2,030,860	2,740,000	6,049	50,000	-	-	-	1,079,488	113,261	6,019,658
Other KMP										
B Bourke ^{4, 5}										
2011	456,860	254,163	9,097	58,333	-	958,759	(227,067)	132,745	36,476	1,679,366
2010	687,093	432,400	6,049	49,107	13,148	-	24,800	346,315	132,046	1,690,958
D Cardiff										
2011	-	-	-	-	-	-	-	-	-	-
2010	157,544	-	-	10,420	4,443	268,637	5,425	(65,233)	(29,389)	351,847
K Daley										
2011	702,287	431,438	123,596	48,995	11,627	-	(192,133)	345,116	27,226	1,498,152
2010	706,407	1,271,200	53,677	49,004	14,168	-	-	280,674	27,226	2,402,356
M Fletcher ⁴										
2011	227,968	110,656	3,114	22,917	-	402,234	(27,246)	55,612	36,476	831,731
2010	296,196	185,050	-	24,481	11,697	-	-	95,895	27,226	640,545
A Head										
2011	541,554	323,640	6,232	24,243	25,662	-	(36,330)	218,883	27,226	1,131,110
2010	376,772	271,300	-	24,330	15,080	-	3,488	127,201	27,226	845,397
S Hogg										
2011	433,494	241,285	5,882	25,000	3,342	-	-	151,828	21,780	882,611
2010	134,569	49,500	-	11,292	-	-	-	65,449	21,780	282,590
T Honan										
2011	976,398	587,250	8,178	25,000	-	-	-	640,437	121,547	2,358,810
2010	976,396	648,250	-	25,000	-	-	-	406,064	121,547	2,177,257
M Kulper										
2011	1,017,385	573,750	8,199	9,800	19,690	-	(187,748)	554,433	34,049	2,029,558
2010	1,126,355	725,390	-	8,729	52,446	-	-	415,367	34,049	2,362,336
E Mildwater										
2011	540,797	319,633	6,311	25,000	5,419	-	-	207,150	27,226	1,131,536
2010	410,093	273,750	-	24,330	-	-	-	87,458	27,226	822,857
Total										
2011	6,930,103	5,303,495	189,166	286,788	87,049	1,360,993	(670,524)	4,360,688	445,267	18,293,025
2010	6,902,285	6,596,840	65,775	276,693	110,982	268,637	33,713	2,838,678	502,198	17,595,801

Notes:

- The amount represents cash STI payments to the Senior Executive for the year ended 30 June 2011, which will be paid in August 2011.
- Non-monetary benefits include Group insurance, vehicle allowance and expatriate allowances (where relevant).
- 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 awarded under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of Performance Awards at the date of their grant has been independently determined in accordance with AASB 2. The TSR component of the Performance Awards has been valued applying a Monte-Carlo simulation to model Transurban's security price and TSR performance against the comparator group performance. The assumptions underpinning these valuations are set out in Note 35 to the financial statements.
- As part of the Group's organisational restructure announced on 27 January 2011, Brendan Bourke and Megan Fletcher exited the business. Their STI payments for the year ended 30 June 2011 are detailed on page 219. The Board exercised its discretion to allow pro-rata amounts of outstanding LTI awards to continue subject to post-employment vesting, as detailed in the legacy LTI plan information at sections E and F. Their termination benefits include accrued annual leave, long service leave, payment in lieu of notice and ex-gratia payment.
- Brendan Bourke participated in the ShareLink Investment Tax Exempt Plan (receiving securities to the value of \$250) and the ShareLink Tax Deferred Plan (receiving securities to the value of \$1,500) for the year ended 30 June 2011.

H ADDITIONAL REMUNERATION INFORMATION

(I) EMPLOYEE SECURITY PLANS

The Group operates three broad employee-based security plans as described below.

ShareLink Incentive Plan

Under this plan, subject to Board approval, an allocation of securities or cash payments may be made to eligible employees (excluding the CEO but including other Senior Executives) in recognition of the Group's prior year performance.

Eligible employees received a grant of 100 securities at no cost to them on 23 February 2011. Eligible employees in the US received a cash payment of equivalent value in lieu of securities.

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

ShareLink Investment Tax Exempt Plan and ShareLink Investment Tax Deferred Plan

The ShareLink Investment Tax Exempt Plan provides eligible employees the opportunity to invest up to \$1,000 per annum in Transurban securities, on a tax-exempt basis. Participants contribute up to \$500 by way of salary sacrifice, which is matched by the Group dollar for dollar. Acquisitions are made quarterly in September, December, March and June each year.

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

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

(II) DEALINGS IN SECURITIES

In accordance with the Group's Dealing in Securities Policy, employees who have awards under an LTI plan may not hedge against those awards.

Employees and Directors are not permitted to obtain margin loans using Transurban securities (either solely or as part of a portfolio) as security for loans.

(III) SERVICE AGREEMENTS

The remuneration and other terms of employment for the CEO and other Senior Executives are formalised in service agreements which have no specified term. Each of these agreements provides for access to performance-related STIs and other prescribed benefits.

The CEO's contract includes an entitlement to participate in an LTI plan (or equivalent cash plan). Other Senior Executives are eligible to participate in the LTI plan (or equivalent cash plans for those executives located outside Australia).

Some key aspects of the agreements in place in the year ended 30 June 2011 are outlined below:

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

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

5 LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The remuneration of the CEO and other Senior Executives is linked to the Group's performance through the use of targets based on the operating performance of the business for both short and long term incentives.

A GROUP PERFORMANCE AND STI

For the year ended 30 June 2011, 25 per cent of Senior Executive STIs were determined with reference to proportional EBITDA and 25 per cent with reference to proportional net costs as discussed on page 216.

Proportional EBITDA

The underlying proportional EBITDA result for the year ended 30 June 2011 was \$718.7 million, a 13.1 per cent increase from the prior year result. This result exceeded the Group's budget by 1.4 per cent, allowing the payment of 116.9 per cent of STIs attributable to proportional EBITDA. The proportional EBITDA result was driven by the Group's continued focus on cost control and the performance of the asset portfolio, characterised by strong traffic volumes on all Australian assets, particularly Melbourne's CityLink following the completion of the Southern Link Upgrade.

Refer to the graph over the following page which outlines the Group's proportional EBITDA results over the five-year period from 1 July 2006 to 30 June 2011.

Proportional net costs

The underlying proportional net costs result for the year ended 30 June 2011 was \$172.3 million, a 1.2 per cent improvement from the prior year result. This result was below the Group's budget by 9.3 per cent, resulting in the payment of 128.6 per cent of STIs attributable to proportional net costs. As with proportional EBITDA, the Group's continued focus on cost management resulted in a decrease in the cost base across operational, corporate and business development costs. A number of value initiatives implemented also contributed to the cost reductions.

Safety

For the year ended 30 June 2011, the safety performance measure resulted in the payment of 150 per cent of the eligible STI for Senior Executives based in Australia, and 133 per cent for the eligible STI for Senior Executives based in the US. The safety KPI target included several components as discussed on page 216 of which a reduction in lost time injury frequency rates was one element. In the year ended 30 June 2011, lost time injury frequency rates decreased from 3.64 to 1.17.

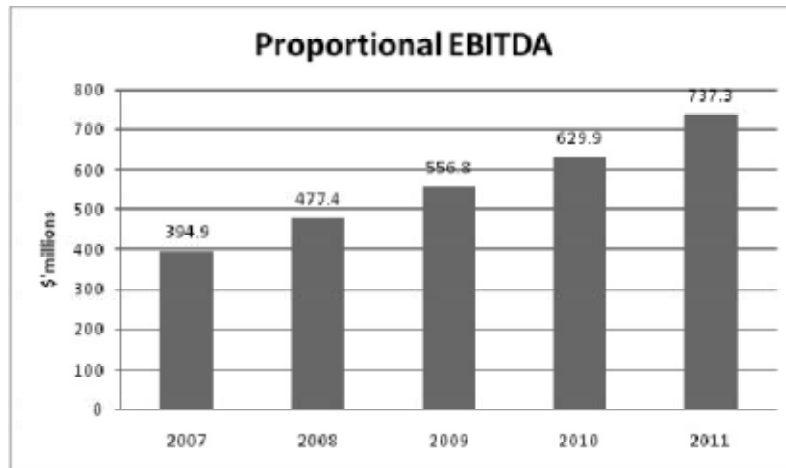
B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2011, LTIs were linked to proportional EBITDA and relative TSR. The performance targets for the current plans are outlined on page 219 - 222.

Proportional EBITDA

The performance target for proportional EBITDA of between 7 per cent and 11 per cent compound growth was considered an appropriate target in the current economic climate and for the anticipated level of organic growth in a mature toll road portfolio. Ring fencing arrangements mean that only the existing portfolio of assets contribute to the calculation.

In general, LTI targets have been based on cumulative performance in relation to proportional EBITDA over preceding years. The following graph shows the growth in proportional EBITDA from 1 July 2006. This growth is driven by increased traffic volumes and revenue collection processes and more specifically cost control that has been a focus of the Group since 2008.



1. The result for the year ended 30 June 2010 includes the M4 until 15 February 2010 when the concession deed ended and includes Lane Cove Tunnel from 10 August 2010.

The table below illustrates the Group's annual compound growth for the relevant non-market measure of each plan:

Long term incentive plan	Group Compound growth as at 30 June 2011
Performance Awards Plan 2009	8.2%
Performance Awards Plan 2010	10.2%
Performance Awards Plan 2011	15.2%

TSR performance

The table below summarises the relative TSR performance over the performance period to date in respect of unvested LTIs:

LTI plan	Group TSR growth from start of performance period to 30 June 2011	Transurban's indicative percentile ranking compared to comparator group
Performance Awards Plan 2009	13.87%	50.00%
Performance Awards Plan 2010	3.12%	48.84%
Performance Awards Plan 2011	2.81%	60.44%

Distributions paid over the past five financial years are summarised in the table below:

Amount (cents)	Ex date	Payment date
14.00	24 Jun 2011	11 Aug 2011
13.00	23 Dec 2010	15 Feb 2011
12.00	24 Jun 2010	27 Aug 2010
12.00	23 Dec 2009	26 Feb 2010
11.00	24 Jun 2009	28 Aug 2009
11.00	23 Dec 2008	27 Feb 2009
29.00	24 Jun 2008 *	29 Aug 2008
28.00	21 Dec 2007 *	27 Feb 2008
27.50	29 Jun 2007 *	27 Aug 2007
26.50	22 Dec 2006 *	28 Feb 2007
25.50	26 Jun 2006 *	25 Aug 2006

* Distributions made under a previous distribution policy no longer applied by the Group.

6 NON-EXECUTIVE DIRECTOR REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

A REMUNERATION POLICY

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

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

B REMUNERATION ARRANGEMENTS

Maximum aggregate remuneration

The amount of aggregate remuneration that may be paid to Non-Executive Directors in any year is capped at a level approved by security holders. The current aggregate fee pool of \$2,400,000 per year (inclusive of superannuation contributions) was approved by security holders at the 2010 AGM. No change to this amount is proposed for the year ending 30 June 2012.

The aggregate fee pool and the manner in which it is apportioned amongst Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board. In conducting the review, the Remuneration Committee takes market benchmarking advice from independent remuneration consultants.

2011 Non-Executive Director fees

There was no increase in Non-Executive Directors fees during the year end 30 June 2011. Non-Executive Director fees were last increased in January 2010.

Current base (Director) fees and Committee¹ fees per year are set out below:

	Chair fee \$	Member fee \$
Board	455,000	170,000
Audit and Risk Committee	40,000	20,000
Nomination Committee	10,000	10,000
Remuneration Committee	25,000	20,000

¹ The Sustainability Committee was disbanded on 11 August 2010 and is no longer a separate Committee of the Board. The Chair fee of \$25,000 per year and the member fee of \$15,000 per year ceased on 11 August 2010.

The Chairman of the Board does not receive any additional fees for his Committee responsibilities.

Non-Executive Directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during the year ended 30 June 2011.

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.

ShareLink Investment Tax Deferred Plan

Under the ShareLink Investment Tax Deferred Plan, Non-Executive Directors are able to sacrifice up to 50 per cent of their pre-tax fees to acquire up to \$5,000 of Transurban securities per annum through a tax deferred arrangement.

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-Executive Directors' remuneration for the years ended 30 June 2011 and 30 June 2010 are set out below:

	Short-term benefits	Post-employment benefits		Total
	Fees	Superannuation Contributions ¹	Retirement benefits ²	
Current Non-Executive Directors				
Lindsay Maxsted (Appointed Chairman 12 August 2010)				
2011	394,593	35,513	-	430,106
2010	194,826	17,534	-	212,360
Jennifer Eve				
2011	91,484	-	-	91,484
2010	77,315	-	-	77,315
James Keyes				
2011	34,984	-	-	34,984
2010	39,597	-	-	39,597
Former Non-Executive Directors				
David Ryan (Resigned 12 August 2010)				
2011	49,199	4,428	-	53,627
2010	401,546	36,139	-	437,685
Total 2011	570,260	39,941	-	610,201
Total 2010	713,284	53,673	-	766,957

¹ Superannuation contributions are made on behalf of Non-Executive Directors at a rate of 9% to satisfy the Group's obligations under applicable Superannuation Guarantee legislation.

² Amounts provided for by the Group during the financial year in relation to the contractual retirement benefits which the Non-Executive Director will be entitled to upon retirement from the Board.

7 GLOSSARY OF TERMS

Term	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Free Cash Flow (FCF) per security	Within Transurban, FCF per security is defined as: • Company's cash flow from operating activities • Less: Cash flows from operating activities of non-100% owned controlled assets • Add Back: Maintenance Capital Expenditure for 100% owned assets • Less: Accounting charge for maintenance provision for the year • Less: Actual tag expenditure in 100% owned assets • Add: Dividends received from non-100% owned assets • Divided by: Weighted average of securities issued.
Key Management Personnel (KMP)	Those persons having authority and responsibility for planning, directing and controlling the major activities of the Group and Transurban Holdings Limited, directly or indirectly, including any Director (whether executive or otherwise), as listed on page 276.
Long term incentive (LTI)	An 'at risk' component of executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance measures over a performance period of three years.
Proportional EBITDA	EBITDA calculated based on percentage of Transurban asset ownership as follows: CityLink (100%), Hills M2 (100%), LCT (100%), Roam (100%), Tollaust (100%), M1 Eastern Distributor (75.1%), M5 (50%), M7 (50%) and DRIVE (75% including 67.5% of Capital Beltway Express and 75% of Pocahontas 895). The proportional EBITDA result is included in the audited financial statements.
Proportional net costs	Net costs include the operating, corporate and business development costs of the Company less non-toll revenues (fees and other).
Relative total shareholder return (TSR)	TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income which was reinvested on a pre-tax basis. Relative TSR measures the return on investment of a company relative to a peer group of companies. Relative TSR is one of the performance measures in determining the vesting of Transurban LTI program.
Senior Executives	The executives who are the KMP of the Group (including the CEO), as listed on page 211.
Short term incentive (STI)	An "at risk" component of executive remuneration under which a cash reward may be payable based on achievement of individual and Company performance measures.
Statutory EBITDA	100% of the EBITDA from controlled entities (CityLink, Hills M2, LCT, M1 Eastern Distributor, Roam, Tollaust) regardless of Transurban's ownership percentage. It excludes the EBITDA contribution from non-controlled interests (M5 Motorway, Westlink M7 and DRIVE).
Total employment cost (TEC)	Base salary and other benefits including superannuation paid to an executive

Non-audit services

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

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

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

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

	30 June 2011 \$	30 June 2010 \$
Audit services		
Audit and review of financial reports	<u>50,000</u>	<u>50,000</u>
Total remuneration for audit services	<u>50,000</u>	<u>50,000</u>

There were no non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms during the current year.

Indemnification and Insurance

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

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

This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the Insurer, the Limit of Liability and the Premium paid for this policy.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 236.

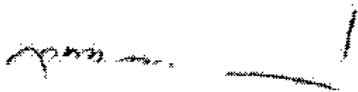
Rounding of amounts

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

Auditor

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

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



Lindsay P Maxsted
Director



Christopher J Lynch
Director

Melbourne
3 August 2011

PricewaterhouseCoopers
ABN 52 780 433 757

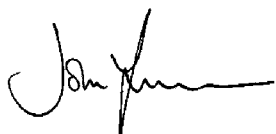
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
website: www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of Transurban International Limited for the year ended 30 June 2011, 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 International Limited and the entities it controlled during the period.



John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
3 August 2011

Transurban International Limited ARBN 121 746 825

Annual financial report - 30 June 2011

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This financial report covers the consolidated financial statements for the consolidated entity consisting of Transurban International Limited and its subsidiaries. The financial report is presented in the Australian currency.

Transurban International Limited is domiciled and incorporated in Bermuda. Its registered office and principal place of business is:

22 Victoria Street
Hamilton
Bermuda

The financial report was authorised for issue by the directors on 3 August 2011. The directors have the power to amend and reissue the financial report.

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

Transurban International Limited
Consolidated income statement
For the year ended 30 June 2011

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Revenue			
Construction revenue	3	7,356	9,952
Business development revenue and other revenue	3	<u>16,915</u>	<u>18,378</u>
		24,271	28,330
 Administration costs		(7,062)	(6,816)
Business development costs		(12,177)	(16,976)
Construction costs		(7,356)	(9,952)
	4	<u>(26,595)</u>	<u>(33,744)</u>
 Loss before depreciation and amortisation, net finance costs, equity accounted investments and tax		<u>(2,324)</u>	<u>(5,414)</u>
 Depreciation and amortisation expense		(140)	(332)
 Finance income		-	445
Finance costs		<u>(13,268)</u>	<u>(13,999)</u>
Net finance costs	5	<u>(13,268)</u>	<u>(13,554)</u>
 Share of net losses of equity accounted investments	9	<u>(17,785)</u>	<u>(19,438)</u>
Loss before income tax		<u>(33,517)</u>	<u>(38,738)</u>
 Income tax benefit	6	<u>5,069</u>	<u>4,626</u>
Loss for the year		<u>(28,448)</u>	<u>(34,112)</u>
 Loss is attributable to:			
Owners of Transurban International Limited		<u>(28,448)</u>	<u>(34,112)</u>
		<u>(28,448)</u>	<u>(34,112)</u>
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	27	(2.0)	(2.6)
Diluted earnings per share	27	(2.0)	(2.6)

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

Transurban International Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Loss for the year	(28,448)	(34,112)
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	11,427	(20,163)
Exchange differences on translation of US operations	(6,461)	1,337
Other comprehensive income (loss) for the year, net of tax	<u>4,966</u>	<u>(18,826)</u>
Total comprehensive income (loss) for the year	<u>(23,482)</u>	<u>(52,938)</u>
Total comprehensive income for the year is attributable to:		
Owners of Transurban International Limited	<u>(23,482)</u>	<u>(52,938)</u>
	<u>(23,482)</u>	<u>(52,938)</u>

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

Transurban International Limited
Consolidated balance sheet
As at 30 June 2011

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	6,574	13,743
Trade and other receivables	8	<u>6,345</u>	<u>9,905</u>
Total current assets		<u>12,919</u>	<u>23,648</u>
Non-current assets			
Equity accounted investments	9	212,197	242,321
Property, plant and equipment	10	969	681
Deferred tax assets	11	<u>12,899</u>	<u>8,615</u>
Total non-current assets		<u>226,065</u>	<u>251,617</u>
Total assets		<u>238,984</u>	<u>275,265</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	201,721	227,467
Current tax liabilities		954	-
Provisions	13	4,903	6,831
Other liabilities	14	<u>13,581</u>	<u>8,962</u>
Total current liabilities		<u>221,159</u>	<u>243,260</u>
Non-current liabilities			
Provisions	13	-	23
Total non-current liabilities		-	23
Total liabilities		<u>221,159</u>	<u>243,283</u>
Net assets		<u>17,825</u>	<u>31,982</u>
EQUITY			
Contributed equity	15	201,661	192,977
Reserves	16	(44,289)	(49,896)
Accumulated losses	16	<u>(139,547)</u>	<u>(111,099)</u>
Total equity		<u>17,825</u>	<u>31,982</u>

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

Transurban International Limited
Consolidated statement of changes in equity
For the year ended 30 June 2011

		Attributable to members of Transurban International Limited			
	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2009		138,983	(31,568)	(76,987)	30,428
Comprehensive income					
Loss for the year	16	-	-	(34,112)	(34,112)
Other comprehensive income	16	-	(18,826)	-	(18,826)
Total comprehensive income		-	(18,826)	(34,112)	(52,938)
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	15	47,647	-	-	47,647
Distribution reinvestment plan	15	5,885	-	-	5,885
Treasury securities	15	462	-	-	462
Changes in fair value of share based payment reserve	16	-	498	-	498
		<u>53,994</u>	<u>498</u>	<u>-</u>	<u>54,492</u>
Balance at 30 June 2010		192,977	(49,896)	(111,099)	31,982
Balance at 1 July 2010		192,977	(49,896)	(111,099)	31,982
Comprehensive income					
Loss for the year	16	-	-	(28,448)	(28,448)
Other comprehensive income	16	-	4,966	-	4,966
Total comprehensive income		-	4,966	(28,448)	(23,482)
Transactions with owners in their capacity as owners:					
Distribution reinvestment plan	15	8,719	-	-	8,719
Treasury securities	15	(35)	-	-	(35)
Changes in fair value of share based payment reserve	16	-	641	-	641
		<u>8,684</u>	<u>641</u>	<u>-</u>	<u>9,325</u>
Balance at 30 June 2011		201,661	(44,289)	(139,547)	17,825

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

Transurban International Limited
Consolidated statement of cash flows
For the year ended 30 June 2011

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,322	40,074
Payments to suppliers and employees (inclusive of GST)		(29,007)	(30,336)
Interest paid		(427)	(172)
Tax refunds / (income taxes paid)		88	1,796
Net cash inflow from operating activities	26	<u>3,976</u>	<u>11,362</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(577)	(151)
Payment for investments in equity accounted investments		(29,356)	(24,804)
Net cash (outflow) from investing activities		<u>(29,933)</u>	<u>(24,955)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of costs		-	47,647
Proceeds from sale of treasury securities, net of costs		(35)	462
Loans from related parties		31,879	33,688
Repayment of loans to related parties		(10,814)	(54,623)
Net cash inflow from financing activities		<u>21,030</u>	<u>27,174</u>
Net (decrease) increase in cash and cash equivalents		(4,927)	13,581
Cash and cash equivalents at the beginning of the financial year		13,743	400
Effects of exchange rate changes on cash and cash equivalents		(2,242)	(238)
Cash and cash equivalents at end of year	7	<u>6,574</u>	<u>13,743</u>

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

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1 Summary of significant accounting policies

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

(a) Basis of preparation

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

The financial report includes the consolidated entity consisting of Transurban International Limited and its subsidiaries ("the Group").

Where necessary, comparatives have been reclassified for consistency with current year disclosures.

Compliance with IFRS

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

Early adoption of standards

The Group has not elected to adopt any new accounting standards early.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities.

Rounding of amounts

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

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

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

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

Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

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

(c) Segment reporting

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

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

Functional and presentation currency

The Group's functional currency is United States Dollars and its presentation currency is Australian Dollars, being Transurban Holdings Limited's (the ultimate parent of the Transurban Group) functional and presentation currency.

Transactions and balances

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

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

Group companies

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

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

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

(e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

- Business development revenue - Business development fees are recognised when receivable, and to the extent of costs incurred and that these costs will be recovered.
- Interest income - Interest income is recognised using the effective interest rate method.
- Construction revenue - Construction revenue is recognised during the development phase of assets for sale to third parties.

(f) Income tax

Transurban International Limited is domiciled in Bermuda. There is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by TIL under Bermudan tax legislation.

Non-Bermudian entities

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate 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.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

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

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

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

Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Company 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.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

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

(h) Business combinations

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

1 Summary of significant accounting policies (continued)

(i) Impairment of assets

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

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Cash and cash equivalents

For cash flow presentation purposes, 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 insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Investments and other financial assets

Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An impairment allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the impairment allowance is recognised in the income statement.

Recognition and derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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

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

Impairment

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

(l) Property, plant and equipment

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

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

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

Depreciation

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

Impairment

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

(m) Financial liabilities

Trade and other payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

1 Summary of significant accounting policies (continued)

(n) Borrowings (continued)

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 finance income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Borrowing costs

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

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

(p) Provisions

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

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

(q) Employee benefits

Short-term obligations

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

Long-term employee benefit obligations

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

Equity-based compensation benefits

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

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

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

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

1 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

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

Superannuation

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

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

Termination benefits

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

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction (net of tax) from the proceeds.

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

(s) Parent entity financial information

The financial information for the parent entity, Transurban International Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of Transurban International 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.

(t) 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 consolidated 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.

(u) Working capital deficiency

As at 30 June 2011 the Group has a working capital deficiency represented by net current liabilities of \$208.2 million (2010: \$219.6 million). This working capital deficiency reflects a number of specific factors primarily related to an intercompany loan payable with another entity within the Transurban Group.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 July 2013 but is available for early adoption. Management are in the process of assessing the impact on financial assets but do not believe this will be significant.

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

(ii) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 July 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 July 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 January 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Transurban International Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Group.

(iv) *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 July 2011/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2011. Management continues to assess the impact of AASB 2010-3 and AASB 2010-4 and does not expect that any adjustments will be necessary as the result of applying the revised rules.

(v) *AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Company's disclosures.

2 Segment information

Description of segments

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 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 excludes the impact of interest income and expense which have been presented by segment where applicable. Interest income and expense are allocated across segments where the charges are related specifically to the assets. Otherwise they have been allocated to the Corporate function.

The segment information provided to the Executive Committee is presented on a proportional basis. The information for the reportable segments for the year ended 30 June 2011 and 30 June 2010 is as follows:

	Pocahontas 895 75.0%	Capital Beltway 67.5%	Transurban DRIVE Other Transurban DRIVE 75.0%	Total Transurban DRIVE	Corporate 100.0%	Total
30 June 2011						
\$'000						
Toll revenue from external customers	10,818	-	-	10,818	-	10,818
Fee and other revenue	19	-	-	19	199	218
Total revenue	10,837	-	-	10,837	199	11,036
Underlying proportional EBITDA	6,321	-	(4,114)	2,207	(2,324)	(117)
Proportional EBITDA	6,321	-	(4,114)	2,207	(2,324)	(117)
Interest revenue	59	1,595	-	1,654	-	1,654
Interest expense	(18,775)	-	-	(18,775)	(12,524)	(31,299)
Depreciation and amortisation	(9,194)	-	-	(9,194)	(140)	(9,334)
Foreign exchange gain (loss)	-	-	-	-	(744)	(744)
Proportional profit (loss) before tax	(21,589)	1,595	(4,114)	(24,108)	(15,732)	(39,840)
Income tax benefit (expense)	10,097	-	(3,774)	6,323	5,069	11,392
Proportional net profit (loss)	(11,492)	1,595	(7,888)	(17,785)	(10,663)	(28,448)

2 Segment information (continued)

	Pocahontas 895 75.0%	Transurban DRIVE Capital Beltway 67.5%	Other Transurban DRIVE 75.0%	Total Transurban DRIVE	Corporate 100.0%	Total
30 June 2010						
\$'000						
Toll revenue from external customers	11,756	-	-	11,756	-	11,756
Fee and other revenue	51	-	-	51	262	313
Total revenue	11,807	-	-	11,807	262	12,069
Underlying proportional EBITDA	4,853	-	(4,373)	480	(5,414)	(4,934)
Proportional EBITDA	4,853	-	(4,373)	480	(5,414)	(4,934)
Interest revenue	87	3,513	-	3,600	24	3,624
Interest expense	(20,492)	-	-	(20,492)	(13,999)	(34,491)
Depreciation and amortisation	(10,076)	-	-	(10,076)	(332)	(10,408)
Foreign exchange gain	-	-	-	-	421	421
Proportional profit (loss) before tax	(25,628)	3,513	(4,373)	(26,488)	(19,300)	(45,788)
Income tax benefit (expense)	8,330	-	(1,280)	7,050	4,626	11,676
Proportional net profit (loss)	(17,298)	3,513	(5,653)	(19,438)	(14,674)	(34,112)

Other segment information - Proportional income statement

Proportional basis of presenting results

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

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

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

2 Segment information (continued)

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:

	30 June 2011 \$'000	30 June 2010 \$'000
Total segment revenue (proportional)	11,036	12,069
Less: Revenue of non-controlled assets	(10,837)	(11,807)
Construction revenue	7,356	9,952
Business development revenue	16,716	18,116
Other	-	-
Total revenue (note 3)	<u>24,271</u>	<u>28,330</u>

Interest revenue

Interest revenue is earned through bank interest revenue.

Interest revenue reconciles to total statutory finance income as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Total segment interest revenue (proportional)	1,654	3,624
Add: Foreign exchange gain	-	421
Less: Interest revenue of non-controlled assets	(1,654)	(3,600)
Total finance income (note 5)	<u>-</u>	<u>445</u>

Proportional EBITDA

Proportional EBITDA reconciles to net loss for the year as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Proportional EBITDA	(117)	(4,934)
Less: Proportional EBITDA of Pocahontas	(6,321)	(4,853)
Less: Proportional EBITDA of DRIVE	4,114	4,373
<i>Statutory loss before depreciation and amortisation, net finance costs, equity accounted investments and tax</i>	(2,324)	(5,414)
Net finance costs	(13,268)	(13,554)
Statutory depreciation and amortisation	(140)	(332)
Share of associates profit/(loss)	(17,785)	(19,438)
Income tax benefit/(expense)	5,069	4,626
Loss for the year	<u>(28,448)</u>	<u>(34,112)</u>

2 Segment information (continued)

Segment information - Segment assets

The segment information provided to the CEO and Executive Committee in respect of asset are presented on a statutory consolidated basis. The information for the reportable segments for the periods ended 30 June 2011 and 30 June 2010 are as follows:

30 June 2011	Transurban DRIVE \$'000	Corporate \$'000	Total \$'000
Total segment assets	<u>212,197</u>	<u>26,787</u>	<u>238,984</u>
Total segment assets includes:			
Investments in associates and joint venture partnerships	212,197	-	212,197
Additions to non-current assets (other than financial assets and deferred tax)	<u>-</u>	<u>560</u>	<u>560</u>
30 June 2010	Transurban DRIVE \$'000	Corporate \$'000	Total \$'000
Total segment assets	<u>242,321</u>	<u>32,944</u>	<u>275,265</u>
Total segment assets includes:			
Investments in associates and joint venture partnerships	242,321	-	242,321
Additions to non-current assets (other than financial assets and deferred tax)	<u>-</u>	<u>156</u>	<u>156</u>

3 Revenue

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Construction revenue	(a)	7,356	9,952
Business development revenue	(b)	16,716	18,116
Other revenue		<u>199</u>	<u>262</u>
Total revenue		<u>24,271</u>	<u>28,330</u>

(a) Construction revenue

Construction revenue is recognised during the development of assets for sale to third parties.

(b) Business development revenue

Business development revenue relates to the provision of development services to third parties.

4 Expenses

30 June 2011 \$'000	30 June 2010 \$'000
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Loss before income tax includes the following specific expenses:

Employee benefits expense	11,451	12,927
Rental expense	756	1,424

5 Net finance costs

30 June 2011 \$'000	30 June 2010 \$'000
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Finance income

Interest income	-	24
Foreign exchange gains (2011: loss)	-	421
Total finance income	-	445

Finance costs

Interest and finance charges paid/payable	(12,524)	(13,999)
Foreign exchange losses (2010: gain)	(744)	-
Total finance costs	(13,268)	(13,999)

Net finance income/(costs)	(13,268)	(13,554)
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6 Income tax benefit

30 June 2011 \$'000	30 June 2010 \$'000
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Income tax benefit

Current tax	1,435	(949)
Deferred tax	(6,784)	(2,517)
Under/(Over) provided in prior years	280	(1,160)
	(5,069)	(4,626)

Deferred income tax (benefit) expense included in income tax benefit comprises:

(Increase) in deferred tax assets (note 11)	(9,847)	(4,716)
Increase in deferred tax liabilities	3,063	2,199
	(6,784)	(2,517)

6 Income tax benefit (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss before income tax benefit	<u>(33,517)</u>	<u>(38,738)</u>
Tax at the Australian tax rate of 30% (2010 - 30%)	<u>(10,055)</u>	<u>(11,621)</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax differential	(1,372)	(2,481)
Share of equity accounted results	5,335	7,581
Income not subject to tax	146	3,351
Sundry items	597	(296)
Under/(over) provision in prior years	<u>280</u>	<u>(1,160)</u>
Income tax benefit	<u>(5,069)</u>	<u>(4,626)</u>

7 Current assets - Cash and cash equivalents

	30 June 2011 \$'000	30 June 2010 \$'000
Cash at bank and in hand	<u>6,574</u>	<u>13,743</u>
	<u>6,574</u>	<u>13,743</u>

8 Current assets - Trade and other receivables

	30 June 2011 \$'000	30 June 2010 \$'000
Loans to related parties	3,864	6,248
Other receivables	2,456	2,683
Current tax receivable	-	945
Prepayments	<u>25</u>	<u>29</u>
	<u>6,345</u>	<u>9,905</u>

No class within trade and other receivables contain impaired or passed due assets. Based on the credit history, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

9 Equity accounted investments

	Ownership interest		Carrying amount	
	30 June 2011 %	30 June 2010 %	30 June 2011 \$'000	30 June 2010 \$'000
Transurban DRIVE Holdings LLC	75	75	<u>212,197</u>	<u>242,321</u>
			<u>212,197</u>	<u>242,321</u>

Summarised financial information of associates

	Ownership Interest %	Company's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(loss) \$'000
2011					
Transurban DRIVE Holdings LLC	75	<u>1,371,454</u>	<u>(1,159,257)</u>	<u>10,837</u>	<u>(17,785)</u>
		<u>1,371,454</u>	<u>(1,159,257)</u>	<u>10,837</u>	<u>(17,785)</u>
2010					
Transurban DRIVE Holdings LLC	75	<u>2,105,467</u>	<u>(1,863,146)</u>	<u>11,807</u>	<u>(19,438)</u>
		<u>2,105,467</u>	<u>(1,863,146)</u>	<u>11,807</u>	<u>(19,438)</u>

	DRIVE	
	30 June 2011 \$'000	30 June 2010 \$'000
Movements in carrying amounts		
Carrying amount at 1 July	242,321	269,315
Investment in associate	28,103	24,452
Share of profits (losses) after income tax	(17,785)	(19,438)
Movements in exchange rates	(51,869)	(11,845)
Movements in reserves	<u>11,427</u>	<u>(20,163)</u>
Carrying amount at 30 June	<u>212,197</u>	<u>242,321</u>
Share of profits or losses		
Loss before income tax	(24,108)	(26,488)
Income tax benefit	<u>6,323</u>	<u>7,050</u>
	<u>(17,785)</u>	<u>(19,438)</u>
Share of expenditure commitments		
Capital commitments	325,835	780,440
Operating commitments	<u>143,657</u>	<u>134,782</u>
	<u>469,492</u>	<u>915,222</u>

Contingent liabilities of associates

As at the reporting date there are no contingent liabilities.

9 Equity accounted investments (continued)

Transurban DRiVe Holdings LLC

Transurban owns 75 per cent of Transurban DRiVe Holdings LLC (DRiVe). Whilst Transurban ownership represents greater than half of the voting rights of DRiVe, it does not have power to govern its financial, investing and operating policies and accordingly accounts for DRiVe as an associate.

A Meeting of Members of DRiVe is required to make decisions in relation to such areas as the legal and financial structure of DRiVe, including distribution policies. 80 per cent or more of the membership interests of those voting is required to pass a decision of the Meeting of Members. Key decisions relating to the operations and financing of DRiVe, such as approval to bid for or dispose of an investment and approval of budgets, are made by the Investment and Management Review Committee (IMRC). IMRC decisions also require an affirmative vote by all current members.

DRiVe owns 100 per cent of Pocahontas 895 and 90 per cent of Capital Beltway Express, both in Virginia, USA. Pocahontas is a 99 year concession ending in June 2105. Tolls are escalated according to a prescribed schedule until 2016, and the greater of CPI, real GDP or 2.8 per cent thereafter. Capital Beltway Express is currently in construction phase and is scheduled to open in late 2012, and will have a 75 year concession period.

10 Non-current assets - Property, plant and equipment

Equipment, fittings and operating systems \$'000

At 1 July 2009

Cost	4,786
Accumulated depreciation	<u>(3,868)</u>
Net book amount	<u>918</u>

Year ended 30 June 2010

Opening net book amount	918
Additions	156
Depreciation charge	(332)
Movement in foreign exchange rates	<u>(61)</u>
Closing net book amount	<u>681</u>

At 30 June 2010

Cost	4,712
Accumulated depreciation	<u>(4,031)</u>
Net book amount	<u>681</u>

Year ended 30 June 2011

Opening net book amount	681
Additions	560
Depreciation charge	(140)
Movement in foreign exchange rates	<u>(132)</u>
Closing net book amount	<u>969</u>

30 June 2011

Cost	4,276
Accumulated depreciation	<u>(3,307)</u>
Net book amount	<u>969</u>

Included in property, plant and equipment is operating systems, equipment and fittings.

11 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
The balance comprises temporary differences attributable to:						
Accrued expenses	219	70	-	(60)	219	10
Provisions	1,038	1,772	-	-	1,038	1,772
Unearned income	14,577	10,209	-	(8)	14,577	10,201
Fixed Assets/ Intangibles	-	-	(5,753)	(3,368)	(5,753)	(3,368)
Unrealised fx	2,818	-	-	-	2,818	-
Other	-	-	-	-	-	-
Tax assets/(liabilities)	18,652	12,051	(5,753)	(3,436)	12,899	8,615
Set off of tax	(5,753)	(3,436)	5,753	3,436	-	-
Net tax assets/(liabilities)	12,899	8,615	-	-	12,899	8,615
Movements:						
Opening balance at 1 July	12,051	7,726	(3,436)	(1,309)	8,615	6,417
Credited/(charged) to the consolidated income statement	9,847	4,716	(3,063)	(2,199)	6,784	2,517
Foreign exchange movements	(3,246)	(391)	746	72	(2,500)	(319)
Closing balance at 30 June	18,652	12,051	(5,753)	(3,436)	12,899	8,615
Deferred tax assets/(liabilities) to be recovered after more than 12 months	18,652	12,051	(5,753)	(3,436)	12,899	8,615
	18,652	12,051	(5,753)	(3,436)	12,899	8,615

12 Current liabilities - Trade and other payables

	30 June 2011 \$'000	30 June 2010 \$'000
Trade payables and accruals	4,960	3,904
Loans from related parties (note 22)	196,761	223,563
	201,721	227,467

13 Provisions

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Current			
Employee benefits	(a)	3,165	4,318
Onerous lease provision	(b)	<u>1,738</u>	<u>2,513</u>
		<u>4,903</u>	<u>6,831</u>
Non-current			
Employee benefits	(a)	-	23
		<u>-</u>	<u>23</u>
Total provisions		<u>4,903</u>	<u>6,854</u>

Movements in provisions

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

	Onerous lease provision \$'000
Consolidated - 2011	
Carrying amount at start of year	2,513
Amounts paid/utilised during the year	(324)
Movements in foreign exchange rates	(451)
Carrying amount at end of year	<u>1,738</u>

(a) Employee benefits

Employee benefits relate to the provision for annual leave, bonuses and long service leave.

(b) Onerous lease provision

An onerous lease is recognised when the Group has lease commitments on property no longer used.

14 Current liabilities - Other liabilities

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Unearned income	(a)	<u>13,581</u>	<u>8,962</u>
		<u>13,581</u>	<u>8,962</u>

(a) Unearned income

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

15 Contributed equity

	30 June 2011 \$'000	30 June 2010 \$'000
Share capital		
Fully paid ordinary shares	<u>201,661</u>	<u>192,977</u>
	<u>201,661</u>	<u>192,977</u>
	Number '000	Number '000
Fully paid ordinary shares	<u>1,443,193</u>	<u>1,414,295</u>
	<u>1,443,193</u>	<u>1,414,295</u>

Movements in ordinary share capital:

	Notes	Number of securities '000	\$'000
Opening balance at 1 July 2009		1,281,363	138,983
Distribution Reinvestment Plan	(a)	14,069	5,885
Purchase, disposal and vesting of treasury securities	(b)	946	462
Rights issue, net of transaction costs	(c)	117,917	47,647
Closing balance at 30 June 2010		<u>1,414,295</u>	<u>192,977</u>
Opening balance at 1 July 2010		1,414,295	192,977
Distribution Reinvestment Plan	(a)	28,876	8,719
Purchase, disposal and vesting of treasury securities	(b)	22	(35)
Closing balance at 30 June 2011		<u>1,443,193</u>	<u>201,661</u>

(a) Distribution Reinvestment Plan

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

(b) Treasury securities

Stapled securities were issued to Transurban Group executives under the share-based payment plans. The securities are held by the executive but will only vest in the executive in accordance with the terms of the plans. The acquired securities cannot be transferred or sold prior to vesting date. On forfeit, the securities are sold on market.

(c) Rights Issue

On 10 June 2010, the Transurban Group raised \$542.4 million via an equity raising, issuing 117.9 million stapled securities. The Group's share was \$47.6 million, net of costs.

15 Contributed equity (continued)

Ordinary shares

The number of shares on issue is 1,443,543,731 (2010: 1,414,667,986). The difference of 351,075 (2010: 373,804) relates to treasury securities of the Group.

All shares issued are a component of stapled securities issued by the Transurban Group. Prior to June 2008, a nil value was assigned to TIL with the value being apportioned between Transurban Holdings Limited and Transurban Holding Trust.

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

Capital risk management

The Group is subject to a gearing ratio covenant imposed by senior secured lenders. The Group monitors capital on the basis of the gearing ratio to ensure compliance with the covenant.

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

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

16 Reserves and accumulated losses

	30 June 2011 \$'000	30 June 2010 \$'000
Reserves		
Cash flow hedges	(64,338)	(75,765)
Share-based payments	1,304	663
Foreign currency translation	27,970	34,431
Transactions with non-controlling interest	<u>(9,225)</u>	<u>(9,225)</u>
	<u>(44,289)</u>	<u>(49,896)</u>
Movements:		
<i>Cash flow hedges</i>		
Balance 1 July	(75,765)	(55,602)
Movement in associate's reserve (note 9)	<u>11,427</u>	<u>(20,163)</u>
Balance 30 June	<u>(64,338)</u>	<u>(75,765)</u>
<i>Share-based payments</i>		
Balance 1 July	663	165
Employee share plan expense	<u>641</u>	<u>498</u>
Balance 30 June	<u>1,304</u>	<u>663</u>
<i>Foreign currency translation</i>		
Balance 1 July	34,431	33,094
Currency translation differences arising during the year	<u>(6,461)</u>	<u>1,337</u>
Balance 30 June	<u>27,970</u>	<u>34,431</u>

16 Reserves and accumulated losses (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
Common control reserve		
Balance 1 July	(9,225)	(9,225)
Balance 30 June	(9,225)	(9,225)

Accumulated losses

Movements in (accumulated losses) were as follows:

Balance at 1 July	(111,099)	(76,987)
Net (loss) for the year	(28,448)	(34,112)
Balance 30 June	(139,547)	(111,099)

Nature and purpose of reserves

Cash flow hedges

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income and accumulated in this reserve in equity. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit and loss.

Share-based payments

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

Foreign currency translation

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

Transactions with non-controlling interests

The transactions with non-controlling interests arose as a result of the acquisition of Transurban (USA) Holdings Inc. and its subsidiaries Transurban (USA) Inc. and Transurban (USA) Operations Inc. from a commonly controlled Transurban Group entity (Transurban Limited).

17 Dividends

No dividends were paid or declared during the year.

18 Remuneration of auditors

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

	30 June 2011 \$	30 June 2010 \$
Amounts received or due and receivable by PricewaterhouseCoopers		
<i>Audit services</i>		
Audit and review of financial reports	50,000	50,000
Total remuneration for audit and other assurance services	50,000	50,000

19 Contingencies

Contingent liabilities

The parent entity and the Group had contingent liabilities at 30 June 2011 in respect of:

Equity guarantee

Transurban DRIVE Holdings LLC (DRIVE), a related party of the Group, holds a concession agreement with The Commonwealth of Virginia to construct and operate High Occupancy Toll (HOT) lanes on the Capital Beltway (Capital Beltway project), a ring road that runs around Washington DC. The project is currently in the construction phase. Construction is expected to be complete in late 2012 and the tolling concession will operate for 75 years.

On 20 December 2007 (and as amended on 12 June 2008) the Transurban Group, through the entities in the triple staple, being Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited (as responsible entity of the Transurban Holding Trust), entered into an agreement with Capital Beltway Express LLC (Capital Beltway Express), a subsidiary of DRIVE, the Virginia Department of Transportation, Goldman Sachs Capital Markets L.P., Depfa Bank plc and Wells Fargo Bank N.A. to provide an Equity Funding Guarantee (the Guarantee) over all of DRIVE's equity obligations associated with funding the equity contributions to the Capital Beltway project.

The Group owns 75% of the equity of DRIVE and recognises this investment in the consolidated financial statements using the equity method of accounting. DRIVE holds 90% of the equity in Capital Beltway Express and, from time to time, is required to make equity contributions to Capital Beltway Express to fund the equity component of the Capital Beltway project costs. The total equity contribution DRIVE is obliged to make to Capital Beltway Express is US\$313,825,757, of which US\$159,690,077 had been paid at balance sheet date.

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

Contingent assets

DRIVE capital sum

As a part of the establishment of Transurban DRIVE, DRIVE Holdings LLC agreed to make a "capital sum" compensation payment to Transurban for contributing to DRIVE the right to negotiate the Capital Beltway and I-95.

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

20 Intra-group guarantees

As at 30 June 2011, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security.

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

21 Commitments

Capital commitments

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

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Property, plant and equipment</i>		
Payable:		
Within one year	10,635	-
Later than one year but not later than five years	2,414	-
Later than five years	-	-
	<u>13,049</u>	<u>-</u>

Lease commitments

	30 June 2011 \$'000	30 June 2010 \$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	952	1,594
Later than one year but not later than five years	3,416	3,973
Later than five years	1,138	1,584
	<u>5,506</u>	<u>7,151</u>
<i>Sub-lease payments</i>		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	812	1,592
	<u>812</u>	<u>1,592</u>

22 Related party transactions

The following transactions occurred with related parties:

	30 June 2011 \$	30 June 2010 \$
Transactions with related parties		
<i>Revenue from services provided to associate</i>		
Business development fees	16,719,309	18,079,638
Management fees	<u>198,663</u>	<u>297,821</u>
	<u>16,917,972</u>	<u>18,377,459</u>
Loans to/from related parties		
<i>Loans to related parties</i>		
Beginning of the period	6,247,973	7,124,659
Loans advanced	25,088,416	15,177,946
Repayment of loans	(26,298,488)	(16,055,556)
Foreign exchange movements	<u>(1,173,774)</u>	<u>924</u>
	<u>3,864,127</u>	<u>6,247,973</u>
<i>Loans from related parties</i>		
Beginning of the period	223,562,646	253,755,701
Loans advanced	70,515,117	316,571,583
Loan repayments	(52,361,651)	(346,278,973)
Foreign exchange movements	<u>(44,954,743)</u>	<u>(485,665)</u>
	<u>196,761,369</u>	<u>223,562,646</u>

Other related parties

Mr Lynch and Mr Maxsted are directors of Transurban Holdings Limited and Transurban Infrastructure Management Limited. Related party transactions have occurred with these Transurban Group entities and their wholly-owned subsidiaries.

Ms Eve is an Associate of the Appleby law firm. During the year Transurban International Limited utilised Appleby for various legal services. These services are based on normal commercial terms.

23 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
Transurban International Holdings Limited	Bermuda	Ordinary	100	100
Transurban (USA) Holdings Inc	USA	Ordinary	100	100
Transurban (USA) Inc	USA	Ordinary	100	100
Transurban DRIVE Management LLC	USA	Ordinary	100	100
Transurban (USA) Operations Inc.	USA	Ordinary	100	100

The proportion of ownership interest is equal to the proportion of voting power held.

24 Parent entity financial information

Summary financial information

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

	30 June 2011 \$'000	30 June 2010 \$'000
Balance sheet		
Current assets	172,442	207,204
Non-current assets	<u>1</u>	<u>1</u>
Total assets	<u>172,443</u>	<u>207,205</u>
Current liabilities	61	71
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>61</u>	<u>71</u>
<i>Shareholders' equity</i>		
Contributed equity	201,658	192,977
Reserves	(28,369)	15,157
Accumulated losses	<u>(905)</u>	<u>(1,000)</u>
	<u>172,384</u>	<u>207,134</u>
Profit or loss for the year	<u>94</u>	<u>(34)</u>
Total comprehensive income	<u>94</u>	<u>(4,247)</u>

Contingent liabilities and guarantees of the parent entity

For details of contingent liabilities and guarantees of the parent entity, refer to note 19.

25 Events occurring after the balance sheet date

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

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

	30 June 2011 \$'000	30 June 2010 \$'000
Loss for the year	(28,448)	(34,112)
Depreciation and amortisation	140	332
Share of net losses of equity accounted investments	17,785	19,438
Change in operating assets and liabilities		
Decrease in prepayments	4	22
Decrease in trade and other receivables	227	11,252
Increase in related party loans	12,929	11,829
Increase in trade payables and accruals	1,056	613
(Decrease) increase in provisions	(1,951)	714
Increase in unearned income	4,619	3,613
Movement in current taxes and deferred taxes	(2,385)	(2,339)
Net cash inflow from operating activities	<u>3,976</u>	<u>11,362</u>

27 Loss per share

	30 June 2011 Cents	30 June 2010 Cents
Basic earnings per share		
Loss attributable to the ordinary equity holders of the company	<u>(2.0)</u>	<u>(2.6)</u>
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>(2.0)</u>	<u>(2.6)</u>
Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	<u>(2.0)</u>	<u>(2.6)</u>
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>(2.0)</u>	<u>(2.6)</u>

Reconciliations of losses used in calculating loss per share

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Basic and diluted earnings per share</i>		
Loss for the year	<u>(28,448)</u>	<u>(34,112)</u>
	<u>(28,448)</u>	<u>(34,112)</u>

27 Loss per share (continued)

Weighted average number of shares used as the denominator

	30 June 2011 Number	30 June 2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>1,437,820,619</u>	<u>1,301,035,941</u>

Loss per share

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to members of the share excluding any non-controlling interest and costs of servicing equity other than distributions, by the weighted average number of shares outstanding during the financial year.

Diluted loss per share

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

28 Share-based payments

The disclosure below represents the Share based payment plans offered by the Transurban Group.

Performance Awards Plan

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

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

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

Grant Date	Vesting / Expiry date	Fair value at grant date (\$)		Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
		TSR	EBIDTA					
2011								
1 Nov 2008	1 Nov 2011	3.30	4.27	1,277,630	-	-	(17,517)	1,260,113
11 Dec 2009	11 Dec 2012	3.33	4.97	1,990,913	-	-	(214,330)	1,776,583
1 Nov 2010	1 Nov 2013	3.23	4.62	-	1,658,614	-	(257,039)	1,401,575
23 Dec 2010	1 Nov 2013	3.33	4.97	-	684,683	-	-	684,683
Total				3,268,543	2,343,297	-	(488,886)	5,122,954

Weighted average exercise price	\$4.01	\$3.99	\$-	\$4.02	\$4.00
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Grant Date	Vesting / Expiry date	Fair value at grant date (\$)		Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
		TSR	EBIDTA					
2010								
1 Nov 2008	1 Nov 2011	3.30	4.27	1,314,288	-	-	(36,658)	1,277,630
11 Dec 2009	11 Dec 2012	3.33	4.97	-	1,990,913	-	-	1,990,913
Total				1,314,288	1,990,913	-	(36,658)	3,268,543

Weighted average exercise price	\$3.79	\$4.15	\$-	\$3.79	\$4.01
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28 Share-based payments (continued)

Executive Equity Plan

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

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

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

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

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2011							
1 Nov 2008	1 Nov 2011	\$4.27	<u>548,650</u>	<u>-</u>	<u>(72,334)</u>	<u>(42,594)</u>	<u>433,722</u>
Total			<u>548,650</u>	<u>-</u>	<u>(72,334)</u>	<u>(42,594)</u>	<u>433,722</u>
Weighted average exercise price			\$4.27	\$-	\$4.27	\$4.27	\$4.27

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2008	1 Nov 2011	\$4.27	<u>611,692</u>	<u>-</u>	<u>(2,953)</u>	<u>(60,089)</u>	<u>548,650</u>
Total			<u>611,692</u>	<u>-</u>	<u>(2,953)</u>	<u>(60,089)</u>	<u>548,650</u>
Weighted average exercise price			\$4.27	\$-	\$4.27	\$4.27	\$4.27

28 Share-based payments (continued)

Overseas based plan

Grant Date	Vesting / Expiry date	Fair value at grant date (\$)		Balance at start of the year	Vested during the year	Lapsed during the year	Balance at end of the year
		TSR	DRIVE mgt fee	Number	Number	Number	Number
2011							
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	(107,007)	(140,554)	-
Total				<u>247,561</u>	<u>(107,007)</u>	<u>(140,554)</u>	<u>-</u>

Weighted average exercise price

\$4.26 \$4.26 \$4.26 \$-

Grant Date	Vesting / Expiry date	Fair value at grant date (\$)		Balance at start of the year	Granted during the year	Forfeited during the year	Balance at end of the year
		TSR	DRIVE mgt fee	Number	Number	Number	Number
2010							
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	-	-	247,561
Total				<u>247,561</u>	<u>-</u>	<u>-</u>	<u>247,561</u>

Weighted average exercise price

\$4.26 \$- \$- \$4.26

Assessed fair value

The assessed fair value at grant date of the plans above has been independently determined in accordance with AASB 2. The TSR component of the Performance Awards has been valued applying a Monte-Carlo simulation (of geometric Brownian motion process, as used in the Black-Scholes framework) to model Transurban's future security price and TSR performance against the comparator group performance at vesting date. The valuation model takes into account the term of the award, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the award.

28 Share-based payments (continued)

Employee security scheme

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

All Australian based permanent employees are eligible to participate in either the Investment Tax Exempt Plan or the Investment Tax Deferred Plan. Under the plans, Transurban provides participants with a matching component toward the acquisition of the stapled securities. For the period 1 July 2010 to 30 June 2011, the cost of company matches was \$304,375 (2010: \$125,517) for the Investment Tax Exempt Plan and \$89,885 (2010: \$nil) for the Investment Tax Deferred Plan. These plans were suspended in May 2009 following changes to taxation announced in the Federal budget. The Group reactivated the Tax Exempt Plan in the year ended 30 June 2010 and has reactivated the Investment Tax Deferred Plan for the 2011 financial year.

The third element under the Plan is the Incentive Plan. Subject to Board approval and the performance of the company, eligible employees may receive a certain number of Transurban securities at no cost to them. In February 2011, each participant was allocated 100 stapled securities at a value of \$5.26 per security. Stapled securities provided under the Plan were acquired on the open market.

	2011 Number	2010 Number
Shares purchased on the market under the plan and provided to participating employees	42,200	44,800

29 Key management personnel disclosures

Directors

The following persons were directors of Transurban International Limited during the financial year:

Executive directors

Christopher J Lynch

Non-executive directors

Lindsay P Maxsted (Chairman) (Appointed 12 August 2010)

David J Ryan (Resigned 12 August 2010)

Jennifer S Eve

James M Keyes

Other key management personnel

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

B Bourke (resigned 28 February 2011)	Chief Operating Officer
K Daley	President, International Development
M Fletcher (resigned 28 February 2011)	Group General Manager Public Affairs
A Head	Group General Manager, New South Wales
S Hogg	Group General Manager, Corporate Services
T Honan	Chief Financial Officer
M Kulper	President, Transurban North America
E Mildwater	Group General Manager, Victoria

Key management personnel compensation

The remuneration amounts below represent the entire amounts paid by the Transurban Group. The full amounts have been disclosed as a reasonable basis of apportionment is not available to reflect the Group's portion.

	30 June 2011 \$	30 June 2010 \$
Short-term employee benefits	12,993,024	14,083,358
Post-employment benefits	326,729	312,832
Long-term benefits	87,049	110,982
Termination benefits	1,360,993	268,637
Share-based payments	<u>4,135,431</u>	<u>3,374,589</u>
	<u>18,903,226</u>	<u>18,150,398</u>

Detailed remuneration disclosures are made in the directors' report. The relevant information can be found in the remuneration report in the directors' report.

Equity instrument disclosures relating to key management personnel

Share based payments

Details of long-term incentives provided as remuneration and shares issued, together with terms and conditions of long-term incentives, can be found in the remuneration report in the directors' report.

29 Key management personnel disclosures (continued)

Performance Awards Plan (PAP)

The number of Performance Awards held during the financial year by each director of Transurban International Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2011	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Name						
Directors of the Group						
C Lynch	1,100,932	684,683	-	-	1,785,615	-
Other key management personnel of the Group						
B Bourke	194,515	13,233	(39,204)	(168,544)	-	-
K Daley	178,427	123,441	(33,173)	(45,398)	223,297	-
M Fletcher	82,362	5,761	(4,704)	(83,419)	-	-
A Head	105,859	90,523	(6,273)	(8,584)	181,525	-
S Hogg	70,734	65,835	-	-	136,569	-
T Honan	380,926	164,587	-	-	545,513	-
M Kulper	307,378	170,433	(32,416)	(44,362)	401,033	-
E Mildwater	95,836	90,523	-	-	186,359	-
2010						
Name	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C Lynch	483,721	617,211	-	-	1,100,932	-
Other key management personnel of the Group						
B Bourke	85,465	109,050	-	-	194,515	-
D Cardiff	46,512	-	-	(46,512)	-	-
K Daley	67,151	111,276	-	-	178,427	-
M Fletcher	34,884	47,478	-	-	82,362	-
A Head	46,512	59,347	-	-	105,859	-
S Hogg	23,256	47,478	-	-	70,734	-
T Honan	232,558	148,368	-	-	380,926	-
M Kulper	145,422	161,956	-	-	307,378	-
E Mildwater	29,070	66,766	-	-	95,836	-

29 Key management personnel disclosures (continued)

Stapled security holdings

The number of Stapled Securities held during the financial year by each director of Transurban International Limited and other key management personnel of the Group, including their personally-related parties, are set out below.

Stapled Securities

2011

Name	Balance at start of the year	Received during the year via the Performance Rights Plan	Received during the year via the Executive Equity Plan	Other changes during the year	Balance at end of the year
Directors of the Group					
L P Maxsted	12,000	-	-	18,000	30,000
D J Ryan *	66,486	-	-	(66,486)	-
J S Eve	-	-	-	-	-
J M Keyes	-	-	-	-	-
C Lynch	254,966	-	-	435	255,401
Other key management personnel of the Group					
B Bourke *	460,251	-	-	(460,251)	-
K Daley	384,678	-	-	-	384,678
M Fletcher *	34,491	-	-	(34,491)	-
A Head	23,842	-	-	(2,730)	21,112
S Hogg	15,516	-	-	100	15,616
T Honan	93,574	-	-	1,246	94,820
M Kulper	103,944	-	-	-	103,944
E Mildwater	25,196	-	-	1,902	27,098

* These individuals are not Key Management Personnel at 30 June 2011, therefore their opening balance has been reduced to zero through "other changes during the year" in the table above.

2010

Name	Balance at start of the year	Received during the year via the Performance Rights Plan	Received during the year via the Executive Equity Plan	Other changes during the year	Balance at end of the year
Directors of the Group					
D J Ryan	60,945	-	-	5,541	66,486
J S Eve	-	-	-	-	-
J M Keyes	-	-	-	-	-
C Lynch	233,041	-	-	21,925	254,966
Other key management personnel of the Group					
B Bourke	460,151	-	-	100	460,251
D Cardiff	158,477	-	-	(158,477)	-
K Daley	384,578	-	-	100	384,678
M Fletcher	33,491	-	-	1,000	34,491
A Head	23,742	-	-	100	23,842
S Hogg	22,781	-	-	(7,265)	15,516
T Honan	85,474	-	-	8,100	93,574
M Kulper	103,944	-	-	-	103,944
E Mildwater	24,640	-	-	556	25,196

29 Key management personnel disclosures (continued)

Executive Equity Plan (EEP)

The number of Stapled Securities held under the executive loan plan during the financial year by each director of Transurban International Limited and other key management personnel of the Group, including their personally-related parties, are set out below.

2011						
	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Name						
Directors of the Group						
C J Lynch	79,647	-	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	19,146	-	(19,146)	-	-	-
K Daley	19,146	-	-	-	19,146	-
M Fletcher	19,146	-	(19,146)	-	-	-
A Head	19,146	-	-	-	19,146	-
S Hogg	15,316	-	-	-	15,316	-
T Honan	85,474	-	-	-	85,474	-
M Kulper	23,944	-	-	-	23,944	-
E Mildwater	19,146	-	-	-	19,146	-
2010						
	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Name						
Directors of the Group						
C J Lynch	79,647	-	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	19,146	-	-	-	19,146	-
D Cardiff	19,146	-	-	(19,146)	-	-
K Daley	19,146	-	-	-	19,146	-
M Fletcher	19,146	-	-	-	19,146	-
A Head	19,146	-	-	-	19,146	-
S Hogg	15,316	-	-	-	15,316	-
T Honan	85,474	-	-	-	85,474	-
M Kulper	23,944	-	-	-	23,944	-
E Mildwater	19,146	-	-	-	19,146	-

29 Key management personnel disclosures (continued)

Performance Rights Plan (PRP)

The number of rights held under the PRP during the financial year by each director of Transurban International Limited and other key management personnel, including their personally-related parties, are set out below.

2011						
Name	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at the end of the year
<i>Other key management personnel of the Group</i>						
B Bourke	92,857	-	(39,204)	(53,653)	-	-
K Daley	78,571	-	(33,173)	(45,398)	-	-
M Fletcher	11,142	-	(4,704)	(6,438)	-	-
A Head	14,857	-	(6,273)	(8,584)	-	-
M Kulper	76,778	-	(32,416)	(44,362)	-	-

2010						
Name	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
<i>Other key management personnel of the Group</i>						
B Bourke	92,857	-	-	-	92,857	-
D Cardiff	27,428	-	-	(27,428)	-	-
K Daley	78,571	-	-	-	78,571	-
M Fletcher	11,142	-	-	-	11,142	-
A Head	14,857	-	-	-	14,857	-
M Kulper	76,778	-	-	-	76,778	-

Other transactions with key management personnel

Ms Jennifer Eve is an associate with Appleby. During the year Transurban utilised Appleby for various legal services. These services are based on normal commercial terms.

30 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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

Income taxes

The Group is subject to income taxes in the USA. Significant judgment 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 current and deferred tax assets and liabilities in the period in which such determination is made.

Estimated impairment of the investment of equity in DRIVE

The Group tests whether the investment of equity in DRIVE has suffered any impairment, in accordance with the accounting policy stated in note 1(i).

31 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally by the Transurban Group treasury team (Treasury) under policies approved by the Board. Treasury work closely with the Group's operating units to actively identify and monitor all financial risks, and put hedging in place where appropriate. The Board are informed on a regular basis of any material exposures to financial risks.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed primarily to foreign exchange risk arising from currency exposures to the Australian dollar. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting date, expressed in Australian dollar, was as follows:

	30 June 2011 AUD \$'000	30 June 2010 AUD \$'000
Cash and cash equivalents	-	68
Receivables	319	1,953
Payables	(2,625)	(5,229)
Net exposure	(2,306)	(3,208)

The above table is presented in the currency in which the exposure exists. The Australian dollar exposure exists in the US dollar functional currency entities.

Sensitivity

Based on the financial instruments held at end of the period, had the U.S. dollar strengthened/weakened by 10 cents against the Australian dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$146,000 lower (2010: \$131,000 lower) or \$182,000 higher (2010: \$155,000 higher), as a result of foreign exchange gains/losses on translation of Australian dollar denominated financial instruments as detailed in the above table.

31 Financial risk management (continued)

Cash flow interest rate risk

The Group's main exposure to interest rate risk arises from long-term intercompany borrowings and funds on deposit.

As at the reporting date, the Group had the following variable rate borrowings outstanding. An analysis of maturities is provided in liquidity risk below.

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	-%	<u>(6,574)</u>	-%	<u>(13,743)</u>
Net exposure to cash flow interest rate risk		<u>(6,574)</u>		<u>(13,743)</u>

Sensitivity

At 30 June 2011, if interest rates had changed by +100 basis points from the year-end rates with all other variables held constant, post-tax loss for the year would have been \$40,000 lower (2010: \$84,000 lower).

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.

Treasury assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. Board approved limit allocation rules ensure higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy counterparties, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

Liquidity risk

The Group maintains sufficient cash to maintain short-term flexibility and enable the Group to meet financial commitments in a timely manner. Treasury assesses liquidity over the short term (up to 12 months) and medium term (1 - 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. The reserve is maintained on a rolling 12 month basis. Medium term liquidity forecasting is maintained on a 5 year horizon.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 Financial risk management (continued)

Contractual maturities of financial liabilities	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 (assets)/ liabilities
At 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	6,882	-	-	-	-	-	6,882	6,882
Fixed rate	<u>206,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,335</u>	<u>194,839</u>
Total non-derivatives	<u>213,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,217</u>	<u>201,721</u>
At 30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	3,904	-	-	-	-	-	3,904	3,904
Fixed rate	<u>236,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,753</u>	<u>223,563</u>
Total non-derivatives	<u>240,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,657</u>	<u>227,467</u>

There is no liquidity risk exposure to the Group in the current or prior periods other than as shown above.

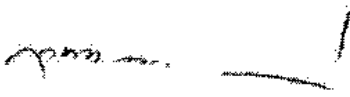
In the directors' opinion:

- (a) the financial statements and notes set out on pages 237 to 283 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of the directors.



Lindsay P Maxsted
Director



Christopher J Lynch
Director

Melbourne
3 August 2011

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
website: www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Independent auditor's report to the members of Transurban International Limited

Report on the financial report

We have audited the accompanying financial report of Transurban International Limited (the Company), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban International Limited Group (the Group). The Group comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independent auditor's report to the members of Transurban International Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

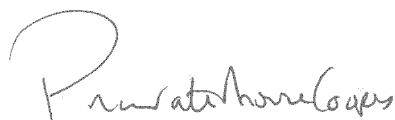
- (a) the financial report of Transurban International Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

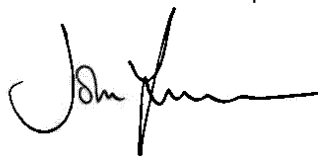
We have audited the remuneration report included in pages 211 to 233 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Transurban International Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



John Yeoman
Partner

Melbourne
3 August 2011

Security holder information

The security holder information set out below was applicable as at 25 August 2011.

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 62,666.

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 79.43 per cent.

The distribution of holders was as follows:

Security grouping	Total holders	Stapled securities	% of issued stapled securities
1 - 1,000	22,716	8,947,313	0.62
1,001 - 5,000	29,009	73,332,896	5.05
5,001 - 10,000	6,855	49,346,810	3.40
10,001 - 100,000	3,865	83,521,513	5.76
100,001 - 999,999,999	221	1,235,682,893	85.17
	<u>62,666</u>	<u>1,450,831,425</u>	<u>100</u>

There were 5,118 holders of less than a marketable parcel of stapled securities.

There were 1,450,831,425 stapled securities on issue.

20 largest holders of stapled securities

Name	Number of stapled securities held	% of issued stapled securities
NATIONAL NOMINEES LIMITED	371,138,161	25.58
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	344,361,368	23.74
J P MORGAN NOMINEES AUSTRALIA LIMITED	225,861,688	15.57
CITICORP NOMINEES PTY LIMITED	68,501,767	4.72
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,807,750	1.57
COGENT NOMINEES PTY LIMITED	20,378,817	1.40
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	15,395,598	1.06
QUEENSLAND INVESTMENT CORPORATION	11,559,366	0.80
AMP LIFE LIMITED	10,469,581	0.72
UBS WEALTH MANAGEMENT AUSTRALIA PTY LTD	9,867,748	0.68
CITICORP NOMINEES PTY LIMITED	9,093,320	0.63
UBS NOMINEES PTY LTD	6,975,000	0.48
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	6,304,713	0.43
CITICORP NOMINEES PTY LIMITED	5,061,246	0.35
AUSTRALIAN REWARD INVESTMENT ALLIANCE	4,497,531	0.31
CS THIRD NOMINEES PTY LIMITED	4,456,126	0.31
COGENT NOMINEES PTY LIMITED	4,270,000	0.29
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	4,242,542	0.29
UBS NOMINEES PTY LTD	3,857,858	0.27
ARGO INVESTMENTS LIMITED	3,311,375	0.23
	<u>1,152,411,555</u>	<u>79.43</u>

Substantial holders

Substantial security holders as at 25 August 2011 were as follows:

Name	Number of stapled securities held	% of issued stapled securities
CP2 Limited	183,319,045	12.60

ENQUIRIES AND INFORMATION

ENQUIRIES ABOUT YOUR TRANSURBAN STAPLED SECURITIES

The stapled securities register is maintained by Computershare Investor Services Pty Ltd.

If you have a question about your Transurban securities or distributions please contact:

COMPUTERSHARE

Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Australia

MAIL

The Registrar
Computershare Investor Services
Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia

(Australia) 1300 555 159
(Overseas) +61 3 9415 4062

TRANSURBAN GROUP

AUSTRALIA

Melbourne (Head Office)

Level 3, 505 Little Collins Street
Melbourne Victoria

Phone +61 (0) 3 8656 8900

Sydney

Level 5, 50 Pitt Street
Sydney NSW 2000
Australia

UNITED STATES

New York

589 Eighth Avenue, 21st Floor
New York, NY 10018

Phone: +1 646 278 0870

Washington DC area

Prince Street Plaza
1421 Prince Street, Suite 200
Alexandria, VA 22314

Phone: +1 571 527 2050

