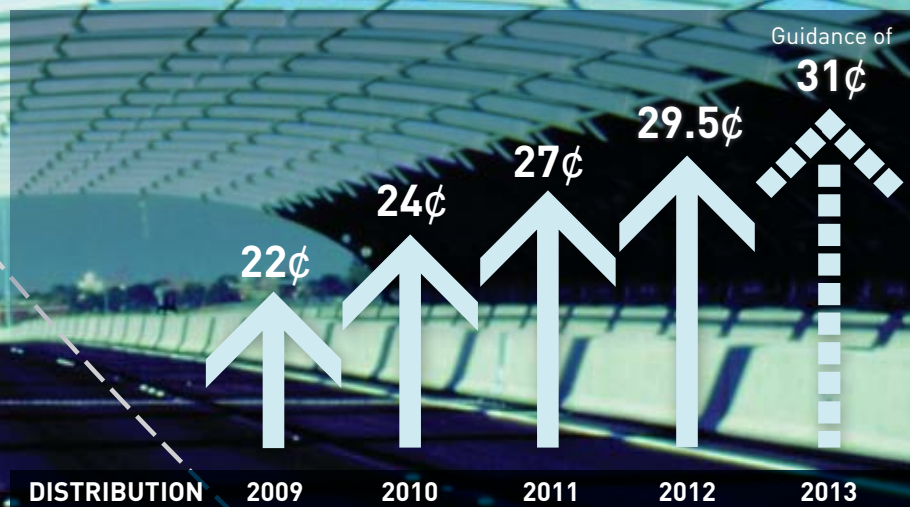


ANNUAL REPORT 2012



Annual Report

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2012 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 2012 (the **reporting period**), Transurban's governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. 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.

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 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.

2 STRUCTURE AND MEMBERSHIP OF THE BOARD

Relevant governance documents:

- ✓ *Board Charter*
- ✓ *Policy and Procedure for the Nomination, Selection and Appointment of New NEDs and the Re-Election of Incumbent NEDs*
- ✓ *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, TIML, and TIL, and the law.

On 5 January 2012, the incorporation and registration of TIL was transferred from Bermuda to Australia. On that date, the two Bermudan based TIL Directors resigned and were replaced with those THL and TIML Directors not currently on the Board of TIL.

As a result, the Board of THL, the Board of TIML and the Board of TIL now have common Directors and meetings are held concurrently. The Board currently comprises eight Directors, with seven Non-executive Directors, including the Chair, and one Executive Director, the CEO. Each Director's skills, qualifications, experience, relevant expertise and period in office are set out in the Directors' Report.

During the reporting period:

- Geoff Cosgriff and Jeremy Davis retired from the Board;
- Ian Smith and Christine O'Reilly joined the Board, effectively completing the Board renewal process; and
- Transurban announced the resignation of Chris Lynch as Managing Director and CEO, and the appointment of his replacement, Scott Charlton, both with effect in July 2012.

Shortly after the reporting period, Scott Charlton commenced as Managing Director and CEO. Bob Officer also resigned from the Board (see below).

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 Chair. The roles of the Chair 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 material¹ 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 current Non-executive Directors, including the Chair. The Board considers each of them to be independent.

Lindsay Maxsted, Neil Chatfield, Rodney Slater and Samantha Mostyn 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, nor Ms Mostyn were, or are, involved in any procurement or other Board decision making regarding the companies or firms with which they have an association.

Bob Officer was not considered by the Board to be independent as he was a nominee of CP2 Limited. CP2 Limited is a co-investor in DRiVe, the US toll road investment vehicle managed by Transurban, and was previously also one of Transurban's largest security holders. Professor Officer resigned from the Board in August 2012.

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, and the constitutions of THL, TIML and 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, TIML or TIL (other than the CEO) may hold office without re-election past the third AGM following their appointment or 3 years, whichever is longer.

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.

¹ 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.

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 Chair 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 seeks to achieve in its membership. It identified additional gender diversity and engineering, major projects and infrastructure skills and experience as priorities. A search process as described above was undertaken and Ian Smith and Christine O'Reilly were identified as the candidates who best met the Board's criteria. Mr Smith and Ms O'Reilly were appointed to the Board in January 2012 and April 2012 respectively.

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.

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

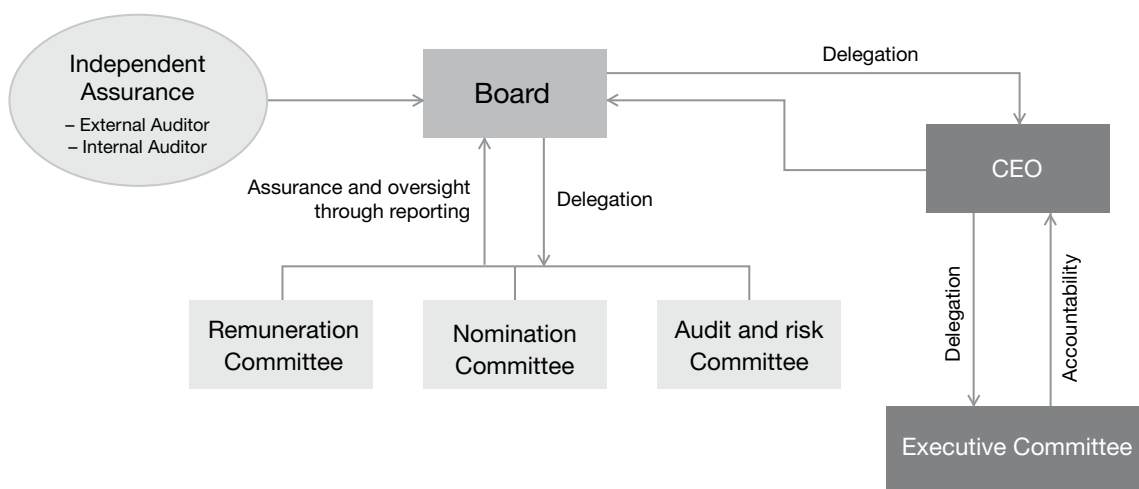
Directors have unrestricted access to management. Management is expected to provide regular detailed financial and operational reports in a form and timeframe and of a quality that enable the Board to discharge its duties effectively. Directors may request additional information where necessary to make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

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 each Committee charter.

The current composition of each Committee is set out on the following page. 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.

Current Committee composition			
	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Composition	<ul style="list-style-type: none"> • Only Non-executive Directors, all of whom are independent; • At least 3 members, each of whom is financially literate and has relevant qualifications/experience; • An independent Chair who is not also Chair of the Board. 	<ul style="list-style-type: none"> • Only Non-executive Directors, all of whom are independent; • At least 3 members; • An independent Chair. 	<ul style="list-style-type: none"> • Only Non-executive Directors, all of whom are independent; • At least 3 members; • An independent Chair.
Members*	<ul style="list-style-type: none"> - Neil Chatfield (Chair); - Lindsay Maxsted; - Christine O'Reilly; and - Bob Edgar. 	<ul style="list-style-type: none"> - Lindsay Maxsted (Chair); - Neil Chatfield; - Bob Edgar; - Samantha Mostyn; - Christine O'Reilly; and - Rodney Slater. 	<ul style="list-style-type: none"> - Bob Edgar (Chair); - Neil Chatfield; and - Samantha Mostyn.
Areas of focus / responsibility	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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.

*Until his resignation in August 2012, Bob Officer was a member of the Audit and Risk and Nomination Committees.

Performance of the Board

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

An externally facilitated Board effectiveness review was conducted during the reporting period. Interviews were conducted with each Board member and with senior management and additional feedback was gathered by completion of a detailed (confidential) questionnaire. The results of the review were formally presented to, and considered by, the Board as a whole. The review concluded that the Board is functioning well with an appropriate mix of skills and experience on the Board, and that there were effective working relationships between Board members and between the Board and management. Suggestions for improvement and actions agreed by the Board in response to those suggestions have been documented and the completion of these is monitored by the Board.

As noted above, Transurban has a Diversity Policy and the Board has again set measurable objectives for achieving greater gender diversity. Achieving these objectives is 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.

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, safety and the performance of the executive individually. 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 2011 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 2012 were conducted in July 2012.

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) were paid to Geoff Cosgriff and Jeremy Davis upon their retirement in December 2011. 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 incentives (cash and deferred equity) 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, are described in detail in the Remuneration Report within the Directors' Report. In the year ended 30 June 2011, 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 and implemented a new remuneration framework for the reporting period, 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*
- ✓ *Supplier Sustainability Code of Practice*
- ✓ *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 all personnel 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 all personnel 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.

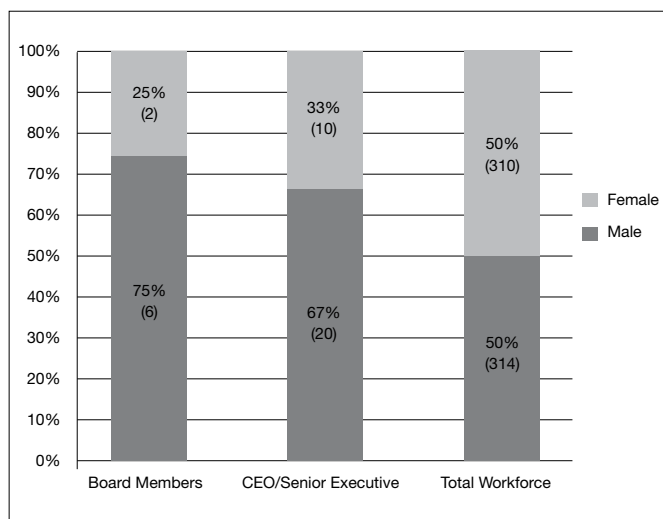
Diversity

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 2012 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:

Objective	FY11 Actual and FY12 Target	Outcome as at 30 June 2012
Increase the proportion of women on the Board	<ul style="list-style-type: none"> FY11 (Actual) – 1 female Non-executive Director FY12 (Target) – 1 additional female Non-executive Director 	Christine O'Reilly was appointed to the Board on 12 April 2012. She joins Sam Mostyn as Transurban's second female Non-executive Director.
Increase the proportion of women in executive and senior management positions	<ul style="list-style-type: none"> FY11 (Actual) – 29% of executive/senior management positions held by women FY12 (Target) – 31% of executive/senior management positions held by women 	33.3% of executive and senior management positions are held by women. This increase from previous years and above target result is due to the appointment of females into the CFO and General Counsel, Australia positions.
Proactive consideration of female candidates for Board and management positions	<ul style="list-style-type: none"> 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.
Enhance workplace flexibility options and access to these	<ul style="list-style-type: none"> FY11 (Actual) – 30.5% of employees utilising workplace flexibility programs FY12 (Target) – 34.6% of employees utilising workplace flexibility programs 	<p>Transurban continued to enhance and promote workplace flexibility through the reporting period. 28.6% of employees accessed workplace flexibility programs. The breakdown of these programs is as follows:</p> <ul style="list-style-type: none"> 19.8% of employees are employed on a part-time basis; 7.4% of employees purchased additional lifestyle leave; and 4.3% of employees utilised other formal flexible leave arrangements eg. working from home, telecommuting, flexi-hours.
Maternity leave return rate	<ul style="list-style-type: none"> FY11 (Actual) – 93% of employees due to return from maternity leave returned to work FY12 (Target) – 100% of employees due to return from maternity leave to return to work 	80% of employees due to return from maternity leave returned to work.

Diversity initiatives

During the reporting period Transurban retained a focus on gender diversity. The Women in Leadership program continued – 24 females participated in two further workshops. Bi-annual forums have commenced for all Women in Leadership participants, providing them with an opportunity to network with participants from other programs and hear from an external speaker.

There is continued awareness and education around opportunities for all employees to assist in improving diversity at all levels. Initiatives include enhancing workplace policies and programs, the inclusion of unconscious bias into all manager training, and equal opportunity awareness training for all employees. A gender pay equity review has also been undertaken.

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 2012. Transurban integrates its approach to sustainability into its procurement processes to ensure suppliers and contractors maintain a high standard of governance and compliance.

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 has been the lead audit engagement partner of PricewaterhouseCoopers in relation to the external audit of Transurban since 1 July 2007. He is currently being rotated off as lead partner and is being replaced by Chris Dodd.

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 the AGM

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, coordinates 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 equity 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. Responsibility for risk management on a day to day basis rests with line management.

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, actions to treat risks and where necessary, a risk management plan. Risk registers are stored in a risk management information system from which reports are derived. Risk Management Facilitators are appointed to each business unit to support managers in implementing a robust and consistent approach for the identification and management of risks. Progress in the management of risks is regularly reported to Senior Executives. Senior Executives have also established a strategic risk register which they review regularly.

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' (those with a residual risk rating of "A" or "B"). Management reports to the committee in relation to the effectiveness of the management of Key Risks. Detailed reports are provided to the Committee if the rating of a Key Risk changes or if there are any other significant developments in relation 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 2012. 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 report for the year ended 30 June 2012

Transurban Holdings Limited ABN 86 098 143 429
Annual report - 30 June 2012

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Directors' report

The Directors of Transurban Holdings Limited (THL), Transurban International Limited (TIL), and Transurban Infrastructure Management Limited (TIML), as responsible entity of Transurban Holding Trust (THT), present their report on the Transurban Group for the year ended 30 June 2012.

Group accounts

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

The financial statements have been aggregated in recognition 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, 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 Maxsted	✓	✓	✓
Neil Chatfield *	✓	✓	✓
Geoffrey Cosgriff (resigned 6 December 2011)	✓	✓	
Jeremy Davis (resigned 6 December 2011)	✓	✓	
Robert Edgar *	✓	✓	✓
Samantha Mostyn *	✓	✓	✓
Robert Officer *	✓	✓	✓
Christine O'Reilly (appointed 12 April 2012)	✓	✓	✓
Rodney Slater *	✓	✓	✓
Ian Smith (appointed 1 January 2012) *	✓	✓	✓
James Keyes (resigned 5 January 2012)			✓
Jennifer Eve (resigned 5 January 2012)			✓
Executive Directors			
Christopher Lynch (resigned 16 July 2012)	✓	✓	✓
Scott Charlton (appointed 16 July 2012)	✓	✓	✓

(*) - Appointed to the Board of TIL on 5 January 2012, being the date on which the registration and incorporation of TIL was transferred from Bermuda to Australia.

Result

The consolidated net profit for the year ended 30 June 2012 for the Group was \$58,558,000 (2011: \$118,158,000). The profit attributable to ordinary equity holders of the Group was \$54,905,000 (2011: \$112,467,000).

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 2012 \$'000	30 June 2011 \$'000
Distribution payable		
Final distribution for 2012 financial year payable and recognised as a liability: 15.0 cents (2011: 14.0 cents) per fully paid Stapled Security payable 14 August 2012		
Fully franked (2011: 0% franked) based on tax paid @ 30% - 3.5 cents (2011: 0.0 cents) per fully paid Stapled Security	51,041	-
Unfranked final distribution - 11.5 cents (2011: 14.0 cents) per fully paid Stapled Security	167,707	202,096
	218,748	202,096
Distributions paid during the year		
Final (unfranked) distribution for 2011 financial year of 14.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 11 August 2011	202,096	169,760
	202,096	169,760
Interim distribution for 2012 financial year of 14.5 cents (2011: 13.0 cents) per fully paid Stapled Security paid 14 February 2012		
Fully franked (2011: 0% franked) based on tax paid @ 30% - 3.5 cents (2011: 0.0 cents) per fully paid Stapled Security	50,801	-
Unfranked interim distribution - 11.0 cents (2011: 13.0 cents) per fully paid Stapled Security	159,654	187,367
	210,455	187,367
Total distributions paid during the year	412,551	357,127
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2012 and 30 June 2011		
Paid in cash	336,549	232,577
Satisfied by issue of Stapled Securities	76,001	124,557
Funds available (from)/for future distribution reinvestment plans	1	(7)
	412,551	357,127

Review of operations

Transurban's net profit for the year ended 30 June 2012 was \$58.6 million. Toll revenue increased by 5.7 per cent to \$765.4 million. The key driver behind the increase was the price escalation and traffic growth on CityLink, partially offset by the construction impact of the Hills M2 Upgrade works on the Hills M2 and Lane Cove Tunnel.

Performance of Transurban's portfolio of assets

CityLink (Melbourne)

CityLink toll revenue for the year ended 30 June 2012 increased 8.5 per cent to \$471.6 million on the back of a 1.9 per cent increase on average daily transactions.

CityLink traffic growth was impacted by the planned major resurfacing works on Western Link during the year; overall the Western Link grew 0.7 per cent and the Southern Link 2.9 per cent.

Hills M2 (Sydney)

Toll revenue for the year ended 30 June 2012 for the Hills M2 decreased by 3.1 per cent to \$141.2 million. As expected average daily trips decreased by 5.1 per cent, reflecting the construction impact of the Hills M2 Upgrade.

As at 30 June 2012 the upgrade was over 70 per cent complete with the first stage, the Windsor Road ramps, opened for traffic on the 25 July 2012. The project completion is scheduled for mid 2013 and remains consistent with Transurban's expectations.

On 30 January 2012, Hills M2 and M1 Eastern Distributor successfully implemented full electronic tolling with minimal impact on traffic. The move to cashless tolling will result in improved travel times for customers across the corridor and operational efficiencies.

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

Toll revenue for the year ended 30 June 2012 was \$60.0 million. Average daily trips decreased by 0.7 per cent compared to the previous year.

The decrease in traffic is a reflection of the construction impact of the Hills M2 Upgrade on Lane Cove Tunnel, a connecting road.

M1 Eastern Distributor (Sydney) – Airport Motorway Group

Toll revenue for the year ended 30 June 2012 for the M1 Eastern Distributor increased 0.6 per cent to \$92.7 million. Average daily trips increased 0.7 per cent.

As previously mentioned, M1 Eastern Distributor implemented cashless tolling on 30 January 2012.

M5 Motorway (Sydney) - Interlink Roads Pty Limited

Toll revenue for the year ended 30 June 2012 for the M5 increased by 8.1 per cent to \$181.1 million. Average daily trips decreased 0.1 per cent.

The car toll price increased from \$3.80 to \$4.40 on 25 November 2011, the first car toll price increase since August 2006.

On the 26 June 2012, Transurban announced that it had reached financial close with the NSW Government for the M5 West Widening Project, a \$400 million project of which the Government will fund approximately \$50 million.

Under the agreement, an extra lane in each direction will be added from Camden Valley at the western end to King Georges Road in the east. The expected traffic increase will be approximately 4.4 per cent, with the truck toll multiplier progressively moving to three times the car toll at construction completion. Construction is expected to take 2.5 years and the concession extended by 3.3 years to December 2026.

Review of operations (continued)

Performance of Transurban's portfolio of assets (continued)

Westlink M7 (Sydney) - Westlink Motorway Group

Toll revenue for the year ended 30 June 2012 increased by 5.2 per cent to \$200.5 million. Average daily trips increased by 1.3 per cent.

Both the northern and southern sectors of the Westlink M7 have been impacted by the flow-on effects of development activities and upgrade works on the connecting roads.

Pocahontas 895 (Virginia USA) - Transurban DRIVE

Toll revenue for the year ended 30 June 2012 increased by 5.7 per cent to US\$14.9 million. Average daily trips increased by 3.2 per cent, due to milder weather conditions and the benefit of the completion of the Airport Connector in January 2011.

Transurban announced on the 18 June 2012, that after a detailed review of traffic and operating forecasts for Pocahontas 895, it was necessary to reduce the carrying value of the asset based on revised lower revenue forecasts. This resulted in an equity accounting charge for the year ended 30 June 2012 of \$138.1 million.

Transurban's investment in Pocahontas is held via Transurban DRIVE, which is 75 per cent owned by Transurban. As a result of this equity accounting charge, Transurban's carrying value of its investment in DRIVE has been reduced to zero.

Business development activities

Capital Beltway (Virginia USA) - Transurban DRIVE

Construction on the Capital Beltway 495 Express Lane project is now more than 95 per cent complete. The construction project remains on budget and on track for completion late 2012, with first tolls expected in early 2013.

95 Express Lanes (Virginia USA) – Transurban DRIVE

On 1 August 2012, the Group announced that financial close had been reached with the Commonwealth of Virginia to build and operate the 95 Express Lanes in northern Virginia, USA.

The 95 Express Lanes will be a 29 mile (46 kilometre), reversible two and three lane facility, with a 73 year operating concession from opening date (2015).

Other corporate activities

Chief Executive Officer (CEO)

On 30 January 2012, Transurban announced Mr Chris Lynch's intention to resign as CEO and as a Director effective from July 2012 after a four year tenure. After a comprehensive Board selection process, Transurban announced on 3 April 2012 the appointment of Mr Scott Charlton as new CEO effective from July 2012.

Review of operations (continued)

Refinancing activities

Transurban continued to have success in financing activities in the year ended 30 June 2012.

July 2011	Refinanced \$520.0 million of non-recourse project debt on the M1 Eastern Distributor.
August 2011	Raised \$100.0 million of new corporate working capital facilities
December 2011	Refinanced \$375.0 million of syndicated bank debt. This replaced the \$375.0 million that was due to mature in August 2012.
March 2012	Issued C\$250 million of Canadian dollar denominated secured fixed rate medium term notes under the Euro Medium Term Note ("EMTN") Programme Maple bonds established in October 2011.
June 2012	Raised \$735.0 million of non-recourse project debt on Interlink Roads Pty Limited, comprising of \$525.0 million of existing debt (\$15 million undrawn facility) and \$210.0 million of additional syndicated bank debt to fund the upgrade project.

Significant changes in the state of affairs

On 5 January 2012, TIL and its wholly owned subsidiary, Transurban International Holdings Limited, changed registered domicile from Bermuda to Australia. The change in domicile has had no financial impact on the Group.

There have been no other significant changes in the state of affairs of the Group during the year.

Matters subsequent to the end of the financial year

As noted above, on 1 August 2012, the Group reached financial close on the 95 Express Lanes project.

Transurban also announced that the 95 Express Lanes investment will be the final new toll road project undertaken by Transurban's co-investment vehicle, DRIVE. Transurban will continue to manage the assets owned by DRIVE.

At the date of this report the Directors are not aware of any other circumstances that have arisen since 30 June 2012 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 Maxsted Dip Bus, FCA

Chair and independent Non-executive Director

Term of office

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

Lindsay is currently Chairman and a Non-executive Director of Westpac Banking Corporation, and a Non-executive Director of BHP Billiton Limited and BHP Billiton plc. He is the Managing Director of Align Capital Pty Ltd and the Honorary Treasurer of Baker IDI Heart and Diabetes Institute.

Lindsay was formerly the CEO of KPMG Australia from 2001 - 2007. His principal area of practice prior to this was in the corporate recovery field managing a number of Australia's largest insolvency / workout / turnaround engagements. Lindsay was previously a Non-executive Director of both St George Bank and of VicRacing Pty Ltd.

Lindsay holds interests in 30,000 Stapled Securities.

Transurban Board Committee membership

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

Christopher Lynch B Comm, MBA, FCPA, FAICD

Chief Executive Officer

Term of office

Director since 18 February 2008. CEO since April 2008. Resigned 16 July 2012.

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 came to Transurban from BHP Billiton, where he held senior roles, including as CFO and as Executive Director and Group President - Carbon Steel Materials. Prior to this the bulk of Chris's career was with Alcoa Inc where his roles included Vice President and CIO, CFO-Europe and Managing Director of KAAL Australia Limited.

Chris is currently a Non-executive Director of Rio Tinto plc and Rio Tinto Limited and a Commissioner of the Australian Football League.

Chris holds interests in 713,563 Stapled Securities and 2,016,918 performance awards.

Scott Charlton BSci, MBA (Texas)

Chief Executive Officer

Term of office

Director since 16 July 2012. CEO since 16 July 2012.

Scott recently joined Transurban from Lend Lease, where he was Group COO (since November 2011) and Group Director of Operations (from March 2010). Prior to this, Scott held several senior appointments across a range of infrastructure and financial institutions, including as CFO of Leighton Holdings (2007-2009) and as Managing Director of Deutsche Bank in Australia and Hong Kong (1995 - 2003).

Scott does not hold interests in any Stapled Securities.

Information on Directors (continued)

Neil Chatfield M.Bus, FCPA, FAICD

Independent Non-executive Director

Term of office

Director since 18 February 2009.

Neil served as Executive Director and the CFO of Toll Holdings Limited from 1997 until September 2008. Neil has extensive experience in general and financial management, capital markets, mergers and acquisitions and risk management.

Neil is currently the Chairman of Virgin Australia Holdings Limited and a Non-executive Director of Seek Limited and of Grange Resources Limited. Neil is also Honorary Chairman of HomeGround Services. He was previously a Non-executive Director of Whitehaven Coal Limited.

Neil holds interests in 30,910 Stapled Securities.

Transurban Board Committee membership

Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committees.

Robert Edgar BEc (Hons), PhD, FAICD

Independent Non-executive Director

Term of office

Director since 21 July 2009.

Bob has over 30 years experience as a Senior Executive, with 25 years at ANZ Banking Group in various senior roles, including Deputy CEO, Senior Managing Director, COO, and Chief Economist.

Bob is currently the Chairman of Centro Retail Australia and a Non-executive Director of Asciano Group and of Linfox Armaguard Pty Ltd. He is also Chairman of the Prince Henry's Institute of Medical Research. He was previously a Non-executive Director of Nufarm Limited, AMMB Holdings Berhad, Shanghai Rural Commercial Bank and of the Bank of Tianjin.

Bob holds interests in 23,733 Stapled Securities.

Transurban Board Committee membership

Chair of the Remuneration Committee and member of the Audit and Risk and Nomination Committees.

Information on Directors (continued)

Samantha Mostyn BA, LLB

Independent Non-executive Director

Term of office

Director since 8 December 2010.

Sam is a Non-executive Director and corporate advisor and has previously held Senior Executive positions at IAG, Optus and Cable & Wireless Plc. Sam is currently Chair of the Stakeholder Advisory Council of the CSIRO's Climate Adaptation Flagship and Deputy Chair of the Diversity Council of Australia. She is a member of the NSW Climate Change Council, the advisory boards of ClimateWorks Australia and the Crawford School of Government and Economics, ANU. Sam is a Commissioner of the Australian Football League and the National Mental Health Commission.

She is currently a Non-executive Director of Virgin Australia Holdings Limited, Sydney Theatre Company, Citigroup Pty Ltd, Australian Volunteers International and St James Ethics Centre Foundation.

Sam holds interests in 10,300 Stapled Securities.

Transurban Board Committee membership

Member of the Remuneration and Nomination Committees.

Robert Officer BAgSc (Melb), MAgEc (New Eng), MBA, PhD (Chicago), FASSA, FINSIA

Non-independent Non-executive Director

Term of office

Director since 20 August 2010.

Bob is currently Professor Emeritus of the University of Melbourne and a specialist in financial economics. His career has spanned academia and consulting across private and public organisations. Bob has held a number of finance professorships at Australian and overseas universities and consulted to a large number of public, private and government organisations in valuation and investment appraisal, international finance, capital markets and takeovers.

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 and Colonial Foundation. He is a past Chairman of Victorian WorkCover Authority and was previously on the Boards of the Bank of Melbourne, the Over Fifty Group and Melbourne University Publishing Pty Ltd.

Bob holds interests in 20,115 Stapled Securities.

Transurban Board Committee membership

Member of the Nomination and Audit and Risk Committees.

Information on Directors (continued)

Christine O'Reilly BBus

Independent Non-executive Director

Term of office

Director since 12 April 2012.

Christine is the Head of Asset Management for Unlisted Infrastructure at Colonial First State Global Asset Management, with a primary focus on direct investment in and management of major infrastructure projects. In this capacity, Christine is a Director of the Anglian Water Group (UK) and Electricity North West (UK). She will step down from these positions on 30 September 2012.

Prior to her time with Colonial, Christine was CEO and Director of the Gasnet Australia Group. She has more than 20 years of infrastructure and financial experience including an early involvement in the reform and establishment of the regulatory framework for the Australian gas industry.

Christine is currently a Non-executive Director of CSL Limited and of Care Australia.

Christine does not hold interests in any Stapled Securities.

Rodney Slater J.D., BS

Independent Non-executive Director

Term of office

Director since 22 June 2009.

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

In the US, Rodney's current directorships include Kansas City Southern (railroads), Verizon Communications Inc, Atkins Global, and Southern Development Bancorporation. He was previously a Director of Parsons Brinckerhoff, Delta Airlines, Northwest Airlines, and ICx Technologies Inc. He also served on Transurban's US Advisory Board until November 2008. Rodney is a Director of the Congressional Awards Foundation and United Way Worldwide.

Rodney does not hold interests in any Stapled Securities.

Transurban Board Committee membership

Member of the Nomination Committee.

Information on Directors (continued)
Ian Smith BE Mining (Hons), BFin Admin
Independent Non-executive Director

Term of office

Director since 1 January 2012.

Ian has more than 30 years experience in the global mining industry in a variety of operational and project management roles. He is currently the Managing Director and CEO of Orica Limited.

Ian is President of The Australian Mines and Metals Association. He was previously the CEO at Newcrest Mining Limited and a Director of the Australian Chamber of Commerce and Industry.

Ian holds interests in 70,000 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.

Julie Galligan LLB, BA

Julie joined Transurban in November 2008 and was appointed as General Counsel, Australia in February 2012. Julie has over 10 years legal experience in private practice and in-house roles in both Australia and the United Kingdom. Prior to joining Transurban, Julie worked in-house at Associated British Ports.

Meetings of Directors

The number of meetings of the Boards of Directors of THL, TIML and TIL held during the year ended 30 June 2012, and the number of meetings attended by each Director are set out in the following tables.

Meetings of the Boards of Directors of THL and TIML were held jointly. Meetings of the Board of Directors of TIL were held separately until 5 January 2012, when the incorporation and registration of TIL was transferred from Bermuda to Australia. Since that date, meetings of all three Boards have been held jointly.

	Board of Directors THL		Board of Directors TIML		Board of Directors TIL	
	Attended	Held#	Attended	Held#	Attended	Held#
Lindsay Maxsted	11	11	11	11	8	8
Christopher Lynch	11	11	11	11	8	8
Neil Chatfield	11	11	11	11	6	6
Geoffery Cosgriff (resigned 6 December 2011)	5	5	5	5	*	*
Jeremy Davis (resigned 6 December 2011)	4	5	4	5	*	*
Robert Edgar	9	11	9	11	5	6
Samantha Mostyn	10	11	10	11	6	6
Robert Officer	11	11	11	11	6	6
Christine O'Reilly (appointed 12 April 2012)	3	3	3	3	3	3
Rodney Slater	9	11	9	11	5	6
Ian Smith (appointed 1 January 2012)	5	6	5	6	5	6
Jennifer Eve (resigned 5 January 2012)	*	*	*	*	2	2
James Keyes (resigned 5 January 2012)	*	*	*	*	2	2

= 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 held during the year ended 30 June 2012, 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⁾		Special purpose Sub- committees	
	Attended	Held#	Attended	Held#	Attended	Held#	Attended	Held#
Lindsay Maxsted	8	8	4	*	2	2	3	3
Christopher Lynch	8	*	4	*	2	*	3	3
Neil Chatfield	8	8	4	2	2	2	2	2
Geoffery Cosgriff (resigned 6 December 2011)	2	*	2	2	*	*	*	*
Jeremy Davis (resigned 6 December 2011)	3	3	2	2	*	*	*	*
Robert Edgar	8	8	5	4	1	2	*	*
Samantha Mostyn	*	*	5	2	1	2	*	*
Robert Officer	5	4	1	*	2	2	*	*
Christine O'Reilly (appointed 12 April 2012)	1	*	*	*	2	*	*	*
Rodney Slater	1	*	1	*	2	2	*	*
Ian Smith (appointed 1 January 2012)	*	*	*	*	1	*	*	*
Jennifer Eve (resigned 5 January 2012)	*	*	*	*	*	*	*	*
James Keyes (resigned 5 January 2012)	*	*	*	*	*	*	*	*

= 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, Christine O'Reilly and Rodney Slater were not members of the Audit and Risk Committee but attended meetings during the year. Bob Officer attended a meeting prior to becoming a member.

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

(3) Chris Lynch, Christine O'Reilly and Ian Smith were not members of the Nomination Committee but attended meetings during the year.

2012 REMUNERATION REPORT (AUDITED)

INTRODUCTION

This report, prepared in accordance with the *Corporations Act 2001*, contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who are the 'key management personnel' (KMP) of the Transurban Group (Group).

The KMP for the year ended 30 June 2012 are listed in the table below:

Current Non-executive Directors	Current Senior Executives
Name	Name and position
Lindsay Maxsted, Chair	Chris Lynch, Executive Director, CEO ¹
Neil Chatfield	Ken Daley, President, International Development
Bob Edgar	Andrew Head, Group General Manager, New South Wales
Samantha Mostyn	Samantha Hogg, CFO ²
Bob Officer	Michael Kulper, President, North America
Christine O'Reilly (<i>appointed 12 April 2012</i>)	Elizabeth Mildwater, Group General Manager, Victoria
Rodney Slater	
Ian Smith (<i>appointed 1 January 2012</i>)	
Former Non-executive Directors	Former Senior Executives
Jeremy Davis (<i>retired 6 December 2011</i>)	Tom Honan, CFO (<i>resigned 2 May 2012</i>) ²
Geoff Cosgriff (<i>retired 6 December 2011</i>)	
Jennifer Eve (Director of TIL only) (<i>resigned 5 January 2012</i>)	
James Keyes (Director of TIL only) (<i>resigned 5 January 2012</i>)	

¹ On 30 January 2012, Transurban announced Chris Lynch's intention to resign as CEO, and on 3 April 2012, Transurban announced the appointment of Scott Charlton as CEO-elect, both with effect in July 2012.

² On 2 May 2012, Transurban announced the appointment of Samantha Hogg as CFO following the resignation of Tom Honan, with immediate effect. Until 2 May 2012, Ms Hogg was Transurban's Group General Manager, Corporate Services. Ms Hogg has been a member of KMP for the full financial year.

CONTENTS

The remuneration information contained in this report is presented as follows:

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4 CEO and Senior Executive remuneration for the year ended 30 June 2012	27
5 Link between Group performance, security holder wealth and remuneration	43
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All values in this report are in Australian dollars, unless otherwise stated.

Remuneration report (continued)

1 REMUNERATION SNAPSHOT

A THE NEW REMUNERATION FRAMEWORK

A new Group remuneration framework was implemented for the year ended 30 June 2012.

Details of the new framework were summarised in the 2011 report, and security holders voted in favour of the adoption of that report at the 2011 Annual General Meeting (**AGM**).

The implementation of the new framework followed a comprehensive review by the Board of the Group's remuneration arrangements in the year ended 30 June 2011. The review took into account feedback sought and received from security holders and other stakeholders, market expectations and regulatory developments.

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

Remuneration mix			
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 were as follows:			
	% of total 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
* Refer to page 28 for the new CEO's remuneration arrangements. The transition to the remuneration mix for Michael Kulper and Ken Daley will be achieved by FY2014.			
** With 30 per cent STI deferral.			
Short term incentive (STI)			
In the year ended 30 June 2012, the performance measures for the STI plan were linked to growth in proportional EBITDA, cost management based on proportional net costs, safety, and performance against individual KPIs.			
In the year ended 30 June 2012, mandatory deferral of 30 per cent of the overall STI award was introduced for the CEO and other Senior Executives.			
The deferral period is three years (comprising the 2012 financial year performance period and a two year trading restriction). For Australian Senior Executives, deferral is into securities. Due to legal restrictions on the issue of securities to US residents, US Senior Executives receive deferred cash awards. The deferred component of remuneration may, at the discretion of the Board, be subject to forfeiture or clawback (e.g. in the event of misconduct or material misstatement of financial results).			
Long term incentive (LTI)			
In the year ended 30 June 2012, the performance measures for the LTI plan were as follows:			
<ul style="list-style-type: none"> • 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, reflecting the Group's focus on the maximisation of free cash flow to drive security holder return. The definition of FCF per security is set out on page 36. The FCF calculation is included in note 21 of the audited financial statements. 			

Remuneration report (continued)

B OTHER EVENTS/ACTIONS IMPACTING REMUNERATION IN THE YEAR ENDED 30 JUNE 2012

CEO transition

On 30 January 2012, Transurban announced Chris Lynch's intention to resign as CEO. On 3 April 2012, Transurban announced the appointment of Scott Charlton as CEO-elect. Mr Charlton became CEO on 16 July 2012.

A summary of Mr Lynch's entitlements on resignation is set out on page 28. Further details of Mr Lynch's resignation arrangements and remuneration details for any part of the year ended 30 June 2013 worked by Mr Lynch will be set out in the 2013 report.

The remuneration arrangements for Mr Charlton were designed in accordance with the Group's remuneration strategy: to ensure alignment of reward with the creation of security holder value and with the achievement of corporate objectives as determined by the Board. They were developed with the benefit of input from remuneration consultants and Australian peer company benchmark data. Mr Charlton's remuneration package was disclosed at the time of his appointment as CEO-elect and is outlined on page 28.

CFO transition

On 2 May 2012, Transurban announced Tom Honan's resignation as CFO and the appointment of Samantha Hogg to the role with immediate effect. Details of Mr Honan's entitlements on resignation are set out on page 29. Details of Ms Hogg's remuneration are set out elsewhere in this report. Her remuneration arrangements as CFO were designed in accordance with the Group's remuneration strategy and were developed with the benefit of Australian peer company benchmark data.

Legislative changes to executive remuneration

In the year ended 30 June 2012, legislative changes introduced by the Federal Government in relation to the governance of executive remuneration arrangements came into effect. The legislation in large part concerns the appointment process for, and recommendations of, independent remuneration advisers.

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

Remuneration report (continued)

2 REMUNERATION GOVERNANCE

A 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. The Committee also reviews gender pay equity.

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

The membership of the Remuneration Committee changed in the year ended 30 June 2012. Geoff Cosgriff stood down as Chair and Jeremy Davis stood down as a member of the Committee on their respective retirement from the Board in December 2011. Bob Edgar was appointed Chair and Samantha Mostyn and Neil Chatfield joined the Committee as new members. Further details regarding the Committee's composition are set out in the Directors' report.

B 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 Committee and the Board, but does not serve as a substitute for thorough consideration of the issues by Directors.

Those consultants who provided the Remuneration Committee with a remuneration recommendation relating to KMP during the year ended 30 June 2012, and who have been deemed by the Group to be 'remuneration consultants' for the purposes of the new executive remuneration legislation, are listed below:

Consultant	Remuneration recommendations and fees	Other advice and fees to the Group during FY2012
Ernst & Young	\$26,000	\$98,921 (General HR advice) \$455,825 (IT, finance, sustainability assurance work, tax advice and other general consulting services)

Ernst & Young was selected by the Remuneration Committee and commissioned and instructed by the Chair of the Committee in accordance with the applicable protocol. Ernst & Young's appointment terms specified that all remuneration recommendations and advice be sent directly to the Committee through the Chair, and prohibited the provision of such material or other information directly to Management. The appointment terms also required that Ernst & Young provide, with their recommendations, both a declaration of their independence from the KMP to whom their recommendations related, and also confirmation that the Committee's conditions for contact and dialogue with Management had been observed. Ernst & Young provided such a declaration and confirmation in relation to their remuneration recommendations. In this way, the Committee and the Board have been assured and are satisfied that Ernst & Young's remuneration recommendations and advice were made free from undue influence from Management generally and from KMP specifically.

Remuneration report (continued)

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 Hills M2 and Lane Cove Tunnel in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1 per cent), the M5 (50 per cent), and the Westlink M7 (50 per cent). 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.

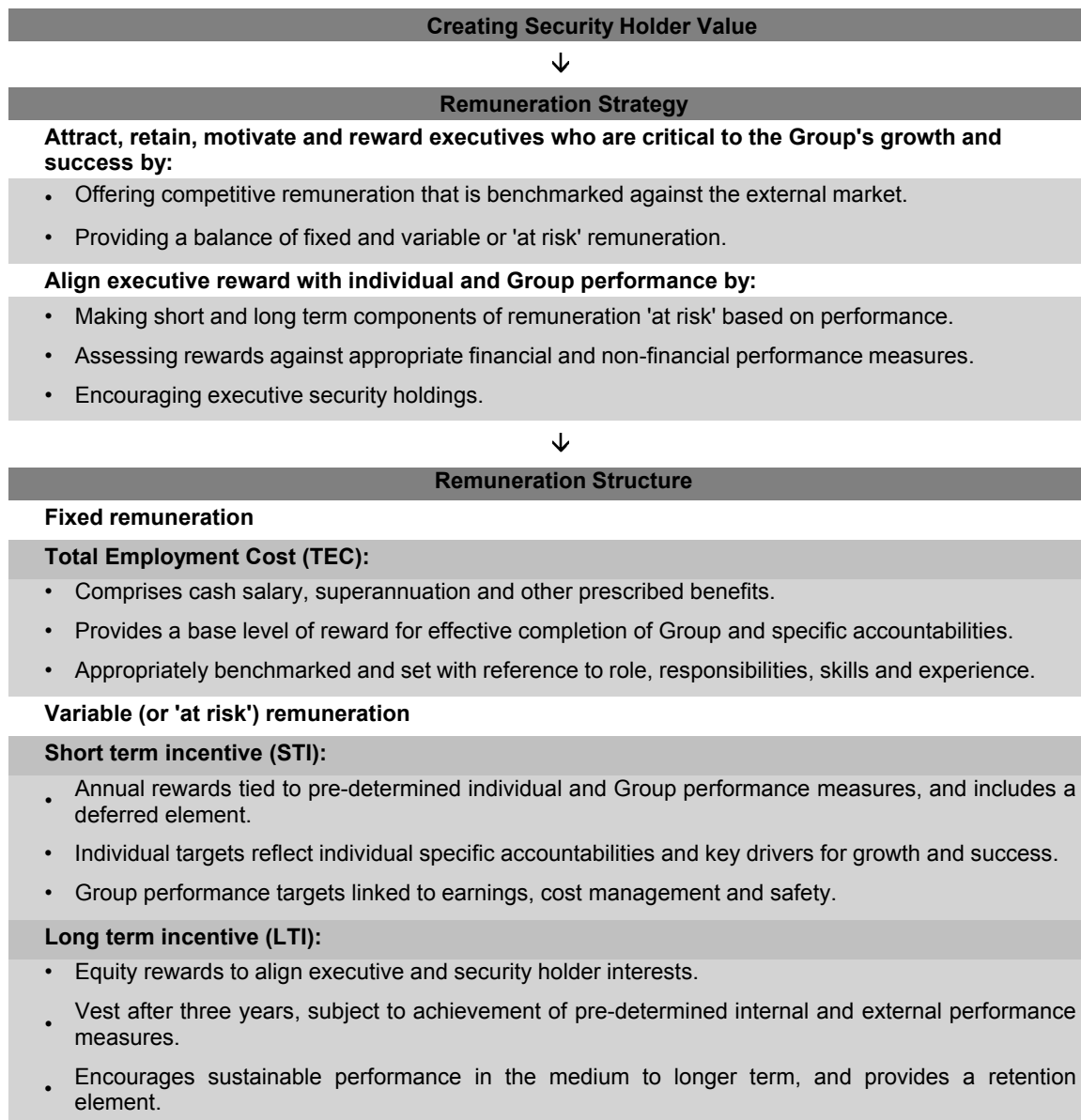
The Board and Management are focused on ensuring security holder value is enhanced through the strong performance of the current asset portfolio. Development activities also provide opportunities to further expand the portfolio in value accretive ways. The maximisation of free cash available to security holders over the near, medium and longer term is the Group's aim and the Group's remuneration framework has been determined with a focus on this outcome.

Remuneration report (continued)

4 CEO AND SENIOR EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2012

A REMUNERATION STRATEGY AND POLICY

The Group's executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced Management team with the necessary skills and attributes to lead the Group in achieving its business objectives. The strategy also aims to encourage Management to strive for superior performance by rewarding the achievement of targets that are challenging, clearly understood and within the control of individuals to achieve through their own actions. The Group's remuneration strategy and policy as set by the Board is summarised below:



Remuneration report (continued)

B CHANGE OF CEO AND CFO - TRANSITION ARRANGEMENTS

On ceasing employment on 30 July 2012, the following arrangements applied to Chris Lynch:

- he will receive an STI award for the year ended 30 June 2012, to be awarded at 116 per cent of his current TEC based on performance against applicable performance targets (see page 34). The cash component of the award (70 per cent or \$1,764,963) will be paid in August 2012. The deferred (into equity) component of the award (30 per cent or \$756,413) will vest, subject to clawback provisions, on 30 June 2014;
- he is contractually entitled to receive an STI award for the 30 days worked in the year ended 30 June 2013, and will receive a pro rated 'target' level payment for the 30 days (\$178,652) after satisfying performance targets for the period which related to his role in a successful CEO transition process; The award will be paid in cash in August 2012;
- equity instruments previously granted to him under the Group's LTI plans will continue on foot in accordance with their original terms, with the applicable performance measures for each grant to be tested at the end of the applicable original performance period;
- as he is contractually entitled to receive an LTI award for every day he is employed by the Group, the Board determined to pay him \$1,060,000 in lieu of an LTI grant earned but not received for a 6 month period during his tenure. The cash sum will be paid in August 2012;
- as he worked out his notice period, he will not receive any amount in lieu of notice; and
- he will not receive any ex gratia payments on separation.

Details of payments made to Mr Lynch in and for the year ended 30 June 2013 will be set out in the 2013 report.

Incoming CEO - Scott Charlton

Scott Charlton's appointment as CEO took effect on 16 July 2012. Mr Charlton was not a member of KMP during the year ended 30 June 2012 and he was paid no remuneration during that year.

As disclosed to the ASX at the time of his appointment, the following arrangements apply to Mr Charlton under his service agreement in relation to the year ended 30 June 2013.

He is provided with the following elements of remuneration (on an annualised basis):

- Total fixed remuneration (TEC) of \$1,875,000; and
- Variable annual remuneration comprised of a STI target opportunity of 30 per cent of his total remuneration package (\$1,406,250); and an LTI target opportunity of 30 per cent of his total remuneration package (\$1,406,250).

In recognition of Mr Charlton giving up certain STI deferred awards for the years ended 30 June 2011 and 2012 and LTI awards for the years ended 30 June 2010 to 30 June 2012 with his former employer to join Transurban, he will receive a one-off grant of equity as a sign-on award. The grant will consist of 236,256 performance awards, which will vest in three tranches (of 78,752 each) on the first, second and third anniversaries of his commencement with Transurban. Each performance award is an entitlement to receive a fully paid Transurban security on vesting.

Further details of Mr Charlton's remuneration in his first year as CEO will be set out in the 2013 report.

Remuneration report (continued)

Outgoing CFO - Tom Honan

On ceasing employment as CFO on 2 May 2012, the following arrangements applied to Tom Honan:

- he received a sum equivalent to 3 months TEC as a payment in lieu of notice (\$246,160);
- he was paid a cash sum equivalent to the pro rata vesting of his STI award for the year ended 30 June 2012, calculated based on performance against the applicable performance hurdles during the 10 month period from the start of the year up until the date his employment ceased (\$475,000);
- equity instruments previously granted to him under the Group's LTI plans lapsed in accordance with their original terms (\$962,416 forfeited); and
- he did not receive any ex gratia payments on separation.

Further details of Mr Honan's resignation payments can be found on page 40.

C REMUNERATION MIX

For the year ended 30 June 2012, 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 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 ¹

	% of total remuneration (annualised) (at target) - FY2012 ²		
	Fixed TEC	Variable (performance based)	
		STI (with 30% deferral)	LTI
CEO	33.3	33.3	33.3
Other Senior Executives	45	30	25

¹These 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 to page 30). 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 rights for each KMP.

²Refer to page 28 for the new CEO's remuneration arrangements. The transition to the remuneration mix for Michael Kulper and Ken Daley will be achieved over a maximum of three years (or by FY2014).

Remuneration report (continued)

D FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

Fixed remuneration is represented by total employment cost (TEC) comprising base salary and superannuation contributions.

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.

How is TEC determined?

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

Executives' TEC is determined with reference to the market median. The primary reference for determining the market median is the ASX 20 - 50. Consideration is given to sizing factors including market capitalisation and revenue. A range around the median provides flexibility to recognise individual performance.

E SHORT TERM INCENTIVE (STI)

How does the STI plan operate?

All permanent Group employees, including the CEO and other Senior Executives, participate in the annual STI plan.

The STI plan puts a significant proportion of remuneration 'at risk' subject to meeting specific pre determined Group, team and individual performance measures linked to business objectives. This aligns executive interests with the Group's financial performance, as well as management principles and the Group's cultural values.

For the year ended 30 June 2012, the CEO had a target STI opportunity of 33 per cent of his total remuneration package. Other Senior Executives had a target STI opportunity of 30 per cent of their total remuneration package.

Mandatory STI deferral of 30 per cent of the overall STI award was introduced for the CEO and other Senior Executives in the year ended 30 June 2012. The deferral period is three years (comprising the 2012 financial year performance period and a two year trading restriction). For Australian Senior Executives, deferral is into securities. Due to legal restrictions on the issue of securities to US residents, US Senior Executives receive deferred cash awards. The deferred component of remuneration may, at the discretion of the Board, be subject to forfeiture or clawback (e.g. in the event of misconduct or the material misstatement of financial results).

Remuneration report (continued)

What were the STI performance measures for the year ended 30 June 2012?

There were two categories of STI performance measures for the CEO and other Senior Executives for the year ended 30 June 2012. 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 and targets for FY2012

Measure	% weighting	Description of targets/indicators for FY2012										
Group performance targets	20%	<p>(1) Growth in proportional EBITDA The proportional EBITDA targets for FY2012 were set against the previous year's results and the Group's FY2012 budget, and are set out below:</p> <table border="1"> <thead> <tr> <th>Proportional EBITDA result</th> <th>% of STI that vests[^]</th> </tr> </thead> <tbody> <tr> <td>Less than 7% above forecast underlying result for FY2011</td> <td>0%</td> </tr> <tr> <td>7% above forecast underlying result for FY2011</td> <td>50%</td> </tr> <tr> <td>Budget EBITDA for FY2012 (9% increase on result for FY2011)</td> <td>100%</td> </tr> <tr> <td>17% above forecast underlying result for FY2011</td> <td>150%</td> </tr> </tbody> </table> <p>[^] Straight line vesting applies between 50-100% and 100-150%.</p>	Proportional EBITDA result	% of STI that vests [^]	Less than 7% above forecast underlying result for FY2011	0%	7% above forecast underlying result for FY2011	50%	Budget EBITDA for FY2012 (9% increase on result for FY2011)	100%	17% above forecast underlying result for FY2011	150%
	Proportional EBITDA result	% of STI that vests [^]										
	Less than 7% above forecast underlying result for FY2011	0%										
7% above forecast underlying result for FY2011	50%											
Budget EBITDA for FY2012 (9% increase on result for FY2011)	100%											
17% above forecast underlying result for FY2011	150%											
20%	<p>(2) Cost management based on proportional net costs The proportional net costs targets for FY2012 were set against the previous year's results and the Group's FY2012 budget, and are set out below:</p> <table border="1"> <thead> <tr> <th>Proportional net costs result</th> <th>% of STI that vests[^]</th> </tr> </thead> <tbody> <tr> <td>Over budget for FY2012</td> <td>0%</td> </tr> <tr> <td>On budget for FY2012</td> <td>50%</td> </tr> <tr> <td>5% below budget for FY2012</td> <td>100%</td> </tr> <tr> <td>10% below budget for FY2012</td> <td>150%</td> </tr> </tbody> </table> <p>[^] Straight line vesting applies between 50-100% and 100-150%.</p>	Proportional net costs result	% of STI that vests [^]	Over budget for FY2012	0%	On budget for FY2012	50%	5% below budget for FY2012	100%	10% below budget for FY2012	150%	
Proportional net costs result	% of STI that vests [^]											
Over budget for FY2012	0%											
On budget for FY2012	50%											
5% below budget for FY2012	100%											
10% below budget for FY2012	150%											
10%	<p>(3) Safety targets, including multiple indicators that focus on improving the Group's safety culture and reducing workplace injuries for employees and contractors.</p>											
Individual key performance indicators (KPIs)	50%	<p>Individual KPIs are unique to the individual's area of accountability, and in FY2012 related 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.</p> <p>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 action.</p>										

Who sets the STI performance measures?

STI performance measures are set at the beginning of the financial year. The CEO's individual KPIs are set by the Board. All other Senior Executives' individual KPIs are set by the CEO and approved by the Board. The Board sets the Group performance targets.

Remuneration report (continued)

What is proportional EBITDA and why does Transurban use it as an STI 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 (including contributions from acquisitions or divestments made during any one year) from proportional EBITDA to provide an underlying result when determining performance incentives. There were no such exclusions for the year ended 30 June 2012.

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

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

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 use of a cost related STI 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 free cash flow and ultimately security holder value.

Proportional net costs was first used by the Group as an STI performance measure in 2010.

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 on-target performance, 100 per cent vests for high performance and up to an additional 50 per cent can be earned for exceptional performance. 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.

Remuneration report (continued)

How is performance assessed?

Performance against the Group performance targets is assessed by the Board. The results are independently reviewed.

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

Once KPIs have been assessed, the Board approves STI awards. STI cash awards for the year ended 30 June 2012 will be paid in August 2012. The STI deferred component for the year ended 30 June 2012 will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 30 June 2014.

The Board believes the method of assessment is rigorous and provides a balanced evaluation of the CEO and each other Senior Executive's performance.

What if a Senior Executive ceases employment?

Under the service agreements for Senior Executives (other than the CEO - refer to page 28) in place for the year ended 30 June 2012, if a Senior Executive ceased employment with the Group before performance against STI targets was assessed, they would generally not be entitled to receive any STI award, unless otherwise determined by the Board.

In recognition of Tom Honan's exceptional contribution to the business during the year ended 30 June 2012, and to facilitate an orderly succession in the CFO role, the Board determined to pay Mr Honan a sum equivalent to the pro-rata vesting of his STI for that year, calculated based on performance against the applicable performance measures during the 10 month period from the start of the year up until 2 May 2012, being the date his employment as CFO ceased.

What were the STI performance outcomes for the year ended 30 June 2012?

Group performance in respect of the proportional EBITDA, proportional net costs and safety performance measures for the year ended 30 June 2012 was assessed by the Board as 97 per cent in Australia and 127 per cent in the US.

Remuneration report (continued)

STI awards for the CEO and other Senior Executives for the year ended 30 June 2012 are set out in the table below:

Name	STI outcome (%)			Actual STI awarded ¹ (\$)		STI forfeited (%)
	Group performance	Individual KPIs	Total	Cash ²	Deferred into equity ²	
Chris Lynch	112%	120%	116%	1,764,963	756,413	-
Ken Daley	127%	110%	119%	354,612	151,976	-
Andrew Head	97%	120%	109%	297,686	127,580	-
Samantha Hogg	97%	90%	94%	251,598	107,828	6%
Tom Honan ³	97%	100%	83%	475,000	-	17%
Michael Kulper	127%	120%	124%	492,765	211,185	-
Elizabeth Mildwater	97%	95%	96%	263,390	112,882	4%

1 On-target performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of FY2012 was nil. The maximum potential value of the STI was the "Actual STI awarded".

2 The cash STI payments in respect of FY2012 will be paid in August 2012. The STI deferred component for FY2012 (30 per cent of the actual STI awarded) will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 30 June 2014.

3 Tom Honan received an STI pro-rated and awarded based on individual performance and Group performance on his resignation in May 2012. The Board determined to waive the deferred element of this award and pay it in cash.

F LONG TERM INCENTIVE (LTI)

How does the LTI plan operate?

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

Participation in the LTI plan is only offered to the CEO and other Senior Executives, and certain other employees nominated by the CEO and approved by the Board. For the year ended 30 June 2012, the CEO was offered an LTI grant equivalent to 33 per cent of his total remuneration package. Other Senior Executives were offered grants equivalent to 25 per cent of their total remuneration package.

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, subject to 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 are delivered to the participant. Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, and certain US based participants may be required to receive cash settled awards, the Board generally intends to settle any vested performance awards in Transurban securities.

Performance awards that do not vest after testing of the performance measures lapse, without retesting.

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

Remuneration report (continued)

What were the LTI performance measures for the year ended 30 June 2012?

Performance awards granted during the year ended 30 June 2012 are subject to a three year performance period and the following dual performance measures over that period:

LTI performance measures for FY2012

Measure	% weighting	Description of measure								
Relative TSR	50%	<p>Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150. The other 33 companies in this group are:</p> <p>Singapore Telecommunications Ltd, Telstra Corporation Ltd, Westfield Group, QR National Ltd, Westfield Retail Trust, Stockland, Leighton Holdings Ltd, AGL Energy Ltd, MAP Group, GPT Group, Goodman Group, CFS Retail Property Trust, Lend Lease Group, Asciano Ltd, Qantas Airways Ltd, Dexus Property Group, Mirvac Group, Telecom Corporation of New Zealand Ltd, Toll Holdings Ltd, SP Ausnet, APA Group, Commonwealth Property Office Fund, UGL Ltd, ConnectEast Group, Boart Longyear Ltd, Investa Office Fund, Spark Infrastructure Group, Charter Hall Office Reit, Australand Property Group, Monadelphous Group Ltd, Duet Group, TPG Telecom Ltd and Australian Infrastructure Fund.</p> <p>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.</p> <p>For performance awards granted during the year ended 30 June 2012, the relative TSR component will vest on a straight line basis if the Group's relative TSR performance is above the median of the bespoke comparator group at the end of a three year performance period, in accordance with the following table:</p> <p>TSR vesting schedule:</p> <table border="1"> <thead> <tr> <th>The Group's relative TSR ranking in the comparator group</th> <th>% of performance awards that vest</th> </tr> </thead> <tbody> <tr> <td>At or below the 50% percentile</td> <td>Nil</td> </tr> <tr> <td>Above the 50th percentile but below the 75th percentile</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>At or above the 75th percentile</td> <td>100%</td> </tr> </tbody> </table>	The Group's relative TSR ranking in the comparator group	% of performance awards that vest	At or below the 50% percentile	Nil	Above the 50th percentile but below the 75th percentile	Straight line vesting between 50% and 100%	At or above the 75th percentile	100%
The Group's relative TSR ranking in the comparator group	% of performance awards that vest									
At or below the 50% percentile	Nil									
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50% and 100%									
At or above the 75th percentile	100%									

Remuneration report (continued)

Measure	% weighting	Description of measure								
Growth in Free Cash Flow (FCF) per security	50%	<p>Within Transurban, FCF per security is defined as:</p> <ul style="list-style-type: none"> • the 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 number of securities issued. <p>The FCF calculation is included in note 21 of the audited financial statements. For performance awards granted during the year ended 30 June 2012, the FCF per security component will vest based on the Group's compound annual growth in FCF per security over the three year performance period, as set out below:</p> <p>Growth in FCF per security vesting schedule:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">% compound annual growth in FCF per security</th> <th style="text-align: left;">% of performance awards that vest</th> </tr> </thead> <tbody> <tr> <td>7%</td> <td>50%</td> </tr> <tr> <td>Between 7% and 10%</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>10% or more</td> <td>100%</td> </tr> </tbody> </table> <p>For performance awards granted during the year ending 30 June 2013, the performance target range for compound growth in FCF per security is between 6 per cent and 9 per cent.</p>	% compound annual growth in FCF per security	% of performance awards that vest	7%	50%	Between 7% and 10%	Straight line vesting between 50% and 100%	10% or more	100%
% compound annual growth in FCF per security	% of performance awards that vest									
7%	50%									
Between 7% and 10%	Straight line vesting between 50% and 100%									
10% or more	100%									

Why were these LTI performance measures selected?

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

For the year ended 30 June 2012, the Group changed the relative TSR comparator group from the S&P/ASX 100 to the bespoke comparator group described above. The Group considered this comparator group to be more reflective of its competitive market.

For the year ended 30 June 2012, the Group also changed the second LTI measure to FCF per security instead of proportional EBITDA to reflect the Group's focus on the maximisation of free cash. The FCF calculation is included in note 21 to the audited financial statements.

Remuneration report (continued)

How will the LTI performance targets be measured?

Relative TSR

The Group will receive an independent report that sets out the Group's TSR growth and that of each company in the bespoke comparator group. A volume weighted average price of securities for the four weeks 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 the Group's performance compared to the performance of other companies in the comparator group (the highest ranking company being ranked at the 100th percentile). This ranking will determine the extent to which performance awards subject to this target will vest.

FCF per security

The Group's FCF per security percentage growth rate (as set out in note 21 to the audited financial statements) will be calculated based on the cumulative weighted average over the three year performance period.

The Board considers these methods of measurement to be rigorous and transparent.

What if a Senior Executive ceases employment?

Under the terms of the service agreements for Senior Executives (other than the CEO - refer to page 28) in place for the year ended 30 June 2012, if a Senior Executive ceased employment with the Group before the performance measures were tested, then their unvested performance awards would lapse, unless otherwise determined by the Board.

On cessation of Tom Honan's employment on 2 May 2012, Mr Honan forfeited his unvested performance awards.

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

In the event of a takeover or change of control of the Group, the treatment of any unvested performance awards granted in the year ended 30 June 2012 will be subject to the incumbent Board's discretion.

What was the grant, and movement in the number and value, of performance awards during the year ended 30 June 2012?

Performance awards granted in FY2012

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date ¹ (\$)	VWAP at grant date (\$)
Relative TSR	26 Sep 2011	30 June 2014	\$3.37	\$5.35
	CEO: 11 Nov 2011		\$3.27	\$5.41
FCF per security	26 Sep 2011	30 June 2014	\$4.63	\$5.35
	CEO: 11 Nov 2011		\$4.81	\$5.41

¹ An explanation of the pricing model used to calculate these values is set out in note 35 to the audited financial statements.

Remuneration report (continued)

Performance Awards granted in FY2012

Name	Number of performance awards granted ²	Value at grant date (\$)	Maximum total value of grant yet to vest ³ (\$)
Chris Lynch ¹	715,024	2,888,697	2,888,697
Ken Daley	128,294	513,176	513,176
Andrew Head	107,766	431,064	431,064
Samantha Hogg	101,320	405,280	405,280
Tom Honan ⁴	171,058	684,232	684,232
Michael Kulper	159,286	637,144	637,144
Elizabeth Mildwater	107,766	431,064	431,064

1 The grant made to the CEO constituted his full LTI entitlement for FY2012 and was made following security holder approval at the 2011 AGM on the terms summarised above. Performance awards vest subject to performance over the period from 1 July 2011 through to 30 June 2014.

2 The grants made to Senior Executives assumed full vesting of their full LTI entitlement for FY2012 and were made on the terms summarised above. Performance awards actually vest subject to performance over the period from 1 July 2011 through to 30 June 2014.

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 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, Tom Honan forfeited 171,058 awards. The value of the forfeited awards was \$684,232. No other Senior Executives forfeited performance awards during the year.

Remuneration report (continued)

G 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.

Plan	FY2011 PAP	FY2010 PAP	FY2009 PAP	FY2009 Executive Equity Plan
Grant date	1 Nov 2010	11 Dec 2009	1 Nov 2008	1 Nov 2008
Performance period	1 Nov 2010 - 1 Nov 2013	1 July 2009 - 30 June 2012	1 Nov 2008 - 1 Nov 2011	1 Nov 2008 - 1 Nov 2011
External performance measure (50% of grant)	Relative TSR	Relative TSR	Relative TSR	N/A Retention grant with service condition only
Comparator group	The S&P/ASX 100			N/A
Vesting schedule	Relative TSR		% of performance awards that vest	
	Above 50th percentile to 75th percentile	Straight line vesting between 50% - 100%		
	At or above the 75th percentile	100% vests		
Internal performance measure (50% of grant)	Group's annual growth in proportional EBITDA	Group's annual growth in proportional EBITDA	Group's annual growth in proportional EBITDA	N/A
	From 7% - 11%	From 6% - 9%	From 5% - 9%	
Vesting schedule	Compound growth		% of performance awards that vest	
	At target %		50% vests	
	From target % to stretch %		Straight line vesting between 50% - 100%	
	At or above stretch %		100% vests	
Current status	To be tested after 1 Nov 2013	TESTED 100% to vest on 11 Dec 2012	TESTED 94.72% vested 5.28% lapsed	TESTED 100% vested

Value of performance awards vested and lapsed in the year ended 30 June 2012

The FY2009 Executive Equity Plan and the FY2009 PAP vested on 1 November 2011. Regarding the FY2009 PAP, 90 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. 99.43 per cent of awards subject to the proportional EBITDA measure vested based on performance against target. In total 5.28 per cent of awards lapsed.

Remuneration report (continued)

Name	FY2009 Executive Equity Plan				FY2009 PAP			
	Lapsed		Vested		Lapsed		Vested	
	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)
C Lynch	-	-	79,647	340,093	25,565	85,701	458,156	1,745,183
T Honan	-	-	85,474	364,974	12,291	41,202	220,267	839,030
A Head	-	-	19,146	81,753	2,458	8,241	44,054	167,807
E Mildwater	-	-	19,146	81,753	1,536	5,150	27,534	104,880
S Hogg	-	-	15,316	65,399	1,229	4,120	22,027	83,904
K Daley	-	-	19,146	81,753	3,549	11,897	63,602	242,269
M Kulper	-	-	23,944	102,241	7,686	25,764	137,736	524,658

H REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

	Short-term employee benefits			Deferred STI ³	Post-employment benefits	Termination benefits	Long term benefits	Share based benefits ⁴	Total
	Cash salary and fees	Cash STI ¹	Non-monetary benefits ²						
				Super-annuation		Long service leave			
Executive director									
C Lynch									
2012	2,153,375	1,764,963	46,299	252,138	15,775	-	40,812	3,086,801	7,360,163
2011	2,033,360	2,461,680	18,557	-	47,500	-	21,309	2,167,745	6,750,151
Other KMP									
B Bourke									
2012	-	-	-	-	-	-	-	-	-
2011	456,860	254,163	9,097	-	58,333	958,759	-	(57,846)	1,679,366
K Daley⁵									
2012	704,498	354,612	118,030	50,659	45,813	-	21,983	594,613	1,890,208
2011	702,287	431,438	123,596	-	48,995	-	11,627	180,209	1,498,152
M Fletcher									
2012	-	-	-	-	-	-	-	-	-
2011	227,968	110,656	3,114	-	22,917	402,234	-	64,842	831,731
A Head									
2012	571,722	297,686	2,260	42,527	22,760	-	15,258	347,920	1,300,133
2011	541,554	323,640	6,232	-	24,243	-	25,662	209,779	1,131,110
S Hogg									
2012	555,892	251,598	1,903	35,943	15,775	-	11,492	280,575	1,153,178
2011	433,494	241,285	5,882	-	25,000	-	3,342	173,608	882,611
T Honan⁶									
2012	1,149,822	475,000	3,951	-	26,775	-	-	(824,365)	831,183
2011	976,398	587,250	8,178	-	25,000	-	-	761,984	2,358,810
M Kulper									
2012	955,653	492,765	-	70,395	9,458	-	16,165	1,033,606	2,578,042
2011	1,017,385	573,750	8,199	-	9,800	-	19,690	400,734	2,029,558
E Mildwater									
2012	569,468	263,390	2,028	37,627	15,775	-	10,015	350,916	1,249,219
2011	540,797	319,633	6,311	-	25,000	-	5,419	234,376	1,131,536
Total									
2012	6,660,430	3,900,014	174,471	489,289	152,131	-	115,725	4,870,066	16,362,126
2011	6,930,103	5,303,495	189,166	-	286,788	1,360,993	87,049	4,135,431	18,293,025

Remuneration report (continued)

1 The amount represents the cash STI payment to the Senior Executive for FY2012, which will be paid in August 2012. The cash component is 70% of the STI award.

2 Non-monetary benefits include Group insurance, vehicle allowances and expatriate allowances (where relevant).

3 30 per cent of STI award is deferred into equity. In accordance with Accounting Standards, the deferred component will be recognised over the three year service period from 1 July 2011 to 30 June 2014. The amount recognised in this table is the FY2012 accounting charge.

4 In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest. The fair value of performance awards at the date of their grant has been independently determined in accordance with AASB 2. The fair value of the performance awards has been valued applying a Monte Carlo simulation to model Transurban's security price and where applicable, the TSR performance against the comparator group performance. The assumptions underpinning these valuations are set out in note 35 to the audited financial statements.

5 Ken Daley's 2008 PAP allocation was based on his TEC as at November 2008 of \$577,500 per year. On 5 December 2008, his TEC was increased to \$750,000 per year effective 1 July 2008. The 2008 PAPs were granted on 15 October 2008. The Board determined to compensate Ken for the shortfall in his performance awards allocation given that his new TEC was effective prior to the grant.

6 On ceasing employment as CFO on 2 May 2012, Tom Honan was paid all accrued entitlements owing to him (e.g. earned but unpaid salary and annual leave), a sum equivalent to the pro-rata vesting of this FY2012 STI (\$475,000), and a sum equivalent to 3 months TEC as payment in lieu of notice (\$246,160). He did not receive any ex gratia payments on separation.

I ADDITIONAL REMUNERATION INFORMATION

EMPLOYEE SECURITY PLANS

The Group has three broad employee based security plans.

ShareLink Incentive Plan

Under the ShareLink Incentive Plan, subject to Board approval, an allocation of Transurban securities or cash payments may be made to eligible employees (excluding the CEO and other Senior Executives) in recognition of the Group's prior year performance.

Eligible employees received a grant of 100 securities at no cost to them on 20 February 2012. Due to legal restrictions on the issue of securities to US residents, 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 (excluding the CEO and other Senior Executives) the opportunity to invest up to \$1,000 per year in Transurban securities on a tax exempt basis. Participants contribute up to \$500 by way of salary sacrifice which is matched by the Group dollar for dollar. Security acquisitions are made quarterly in September, December, March and June each year.

The ShareLink Investment Tax Deferred Plan provides eligible employees (excluding the CEO and other Senior Executives) with the opportunity to contribute up to \$5,000 per year by way of salary sacrifice to be invested in Transurban securities. The Group matches participants' contributions dollar for dollar up to \$3,000. The plan has a 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 those of the Group and are therefore not subject to performance measures.

Remuneration report (continued)

DEALINGS IN SECURITIES

In accordance with the Group's Dealing in Securities Policy, employees who have awards under a Group equity plan may not hedge against those awards. In addition, KMP may not hedge against entitlements that have vested but remain subject to a holding lock.

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

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.

Chris Lynch's service agreement included an entitlement to participate in the Group's STI and LTI plans (or equivalent cash plan). Scott Charlton and other Senior Executives are eligible to participate in the STI and LTI plans (or equivalent cash plans for US executives).

Some key aspects of the agreements in place in the year ended 30 June 2012 are outlined below:

	Period of notice to terminate (executives)	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.

Remuneration report (continued)

5 LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The variable or 'at risk' remuneration of the CEO and other Senior Executives is linked to the Group's performance through the use of measures based on the operating performance of the business.

A GROUP PERFORMANCE AND STI

For the year ended 30 June 2012, 20 per cent of the Senior Executive STIs were determined with reference to proportional EBITDA, 20 per cent with reference to proportional net costs, and 10 per cent with reference to safety as discussed on page 31.

Proportional EBITDA

The underlying proportional EBITDA result for the year ended 30 June 2012 was \$784.0 million, a 9.1 per cent increase from the prior year result. This resulted in the payment of 93.4 per cent of STI's 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. This result was delivered despite significant disruption caused by construction on Sydney's Hills M2 Motorway.

Proportional net costs

The underlying proportional net costs result for the year ended 30 June 2012 was \$159.9 million, a 7.2 per cent improvement from the prior year result. This resulted in the payment of 149.6 per cent of STI's attributable to proportional net costs. Importantly, the Group's continued focus on proportional net costs resulted in a cost decrease across operational, corporate and business development areas (when taking into account the impact of volume based cost increases).

Safety

For the year ended 30 June 2012, the safety performance measure resulted in a zero STI payment for Senior Executives based in Australia, and 150 per cent for Senior Executives based in the US. The safety KPI target included several components as discussed on page 31 of which a reduction in recordable injury frequency rate was one. Strong results were attained for some aspects of the Australian safety measure, however other areas did not meet all targets.

B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2012, LTIs were linked to relative TSR and, for the first time, FCF per security (see pages 35 and 36).

Relative TSR

The relative TSR for the year ended 30 June 2012 is calculated on a bespoke comparator group from the ASX150 (see page 35).

FCF per security

The performance target range for compound growth in FCF per security of between 7 per cent and 10 per cent over three years is considered an appropriate target that reflects the Group's focus on the maximisation of free cash to drive security holder return. For performance awards granted during the year ending 30 June 2013, the performance target range for compound growth in FCF per security is between 6 per cent and 9 per cent.

The table below summarises the Group's five year results for the relevant performance measures. These results show that since the year ended 30 June 2009, Transurban's distribution policy has been to pay out 100 per cent (rounded) of FCF per security. Since that time, Transurban has delivered consistent growth on this measure based on consistent revenue and EBITDA growth. Based on investor feedback, this remains Transurban's financial focus.

Remuneration report (continued)

Group Performance¹

Measure	2012	2011	2010	2009	2008
Security price at year end	\$5.69	\$5.23	\$4.24	\$4.18	\$4.23
Distribution paid per security	29.5c	27.0c	24.0c	22.0c	57.0c*
Underlying proportional EBITDA - \$m	784.0	718.7	635.4	583.3	523.0
TSR performance ²	15%	32%	10%	2%	(41%)
FCF per security performance - weighted average	29.8c	27.5c	27.4c	22.2c	26.0c

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

1 For FY2012, LTIs were linked to relative TSR and FCF per security. In prior years, LTIs were linked to relative TSR and proportional EBITDA.

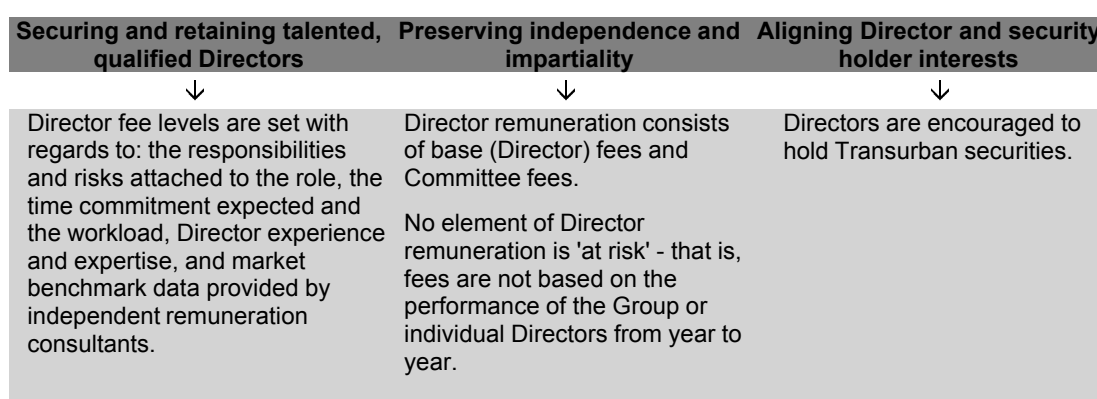
2 The TSR performance is the total security holder return for that financial year.

Remuneration report (continued)

6 NON-EXECUTIVE DIRECTOR REMUNERATION

A REMUNERATION POLICY

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



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 2013.

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 Committee considers market benchmark data from independent remuneration consultants.

2012 Non-executive Director fees

A review of Non-executive Director fees was undertaken during the year ended 30 June 2012, and it was determined that there be no increase in fees. Non-executive Director fees were last increased in January 2010.

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

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

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

Remuneration report (continued)

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 2012. 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

No current Non-executive Directors are entitled to any 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 that date attracted interest at the statutory fringe benefits rate. Accrued 'frozen' retirement benefits plus interest were paid to Geoff Cosgriff and Jeremy Davis on their retirement from the Board on 6 December 2011.

The following table details the retirement benefits paid and expensed in the years ended 30 June 2012 and 30 June 2011.

	FY2012 \$	FY2011 \$
Geoff Cosgriff	251,028 (paid)	16,301 (accrued)
Jeremy Davis	418,186 (paid)	27,155 (accrued)

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 year. No securities were issued to Non-executive Directors under the plan for the year ended 30 June 2012.

Remuneration report (continued)

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-executive Directors' remuneration for the years ended 30 June 2012 and 30 June 2011 are set out below:

	Short-term benefits	Post-employment benefits		Total
	Fees	Superannuation ¹	Retirement benefits ^{2,3}	
Current Non-executive Directors				
Lindsay Maxsted				
2012	439,411	15,775	-	455,186
2011	394,593	35,513	-	430,106
Neil Chatfield				
2012	207,631	15,775	-	223,406
2011	199,828	17,985	-	217,813
Bob Edgar				
2012	207,114	15,775	-	222,889
2011	196,552	17,690	-	214,242
Samantha Mostyn				
2012	176,047	15,398	-	191,445
2011	93,996	8,460	-	102,456
Bob Officer				
2012	176,047	15,398	-	191,445
2011	141,066	12,696	-	153,762
Christine O'Reilly (appointed 12 April 2012)				
2012	34,225	3,080	-	37,305
2011	-	-	-	-
Rodney Slater				
2012	173,720	-	-	173,720
2011	155,268	-	-	155,268
Ian Smith (appointed 1 January 2012)				
2012	77,983	7,018	-	85,001
2011	-	-	-	-
Former Non-executive Directors				
Geoff Cosgriff (resigned 6 December 2011)				
2012	81,778	7,044	251,028	339,850
2011	188,153	16,934	16,301	221,388
Jeremy Davis (resigned 6 December 2011)				
2012	69,903	25,648	418,186	513,737
2011	201,920	27,750	27,155	256,825
David Ryan (resigned 12 August 2010)				
2012	-	-	-	-
2011	49,199	4,428	-	53,627
Jennifer Eve (resigned 5 January 2012)				
2012	48,256	-	-	48,256
2011	91,484	-	-	91,484
James Keyes (resigned 5 January 2012)				
2012	25,793	-	-	25,793
2011	34,984	-	-	34,984
Total				
2012	1,717,908	120,911	669,214	2,508,033 ³
2011	1,747,043	141,456	43,456	1,931,955

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

² Amounts represent contractual retirement benefits paid (in the year ended 30 June 2012) and provided for (in the year end 30 June 2011) for two former Non-executive Directors. No current Non-executive Directors are entitled to any retirement benefits.

³ Retirement benefits are excluded from the amount of aggregate remuneration that may be paid to Non-executive Directors in any year.

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 CFO (services less than \$5,000) or the Chair of the Audit and Risk Committee (in all other cases).

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

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

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

	30 June 2012	30 June 2011
	\$	\$
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and other assurance services:		
Audit and review of financial reports	1,100,000	1,091,000
Other assurance services	189,300	69,887
Total remuneration for PricewaterhouseCoopers	1,289,300	1,160,887
Total auditors' remuneration	1,289,300	1,160,887

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 50.

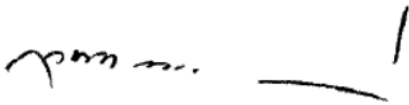
Rounding of amounts

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 Maxsted
Director



Scott Charlton
Director

Melbourne
7 August 2012



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 2012, 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
7 August 2012

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

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Transurban Holdings Limited ABN 86 098 143 429

Annual report - 30 June 2012

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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 and the United States of America. Transurban Holdings Limited's registered office and principal place of business is:

Level 3
505 Little Collins Street
Melbourne VIC 3000

The financial report was authorised for issue by the Directors on 7 August 2012. 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 Holdings Limited
Consolidated income statement
For the year ended 30 June 2012

		30 June 2012 \$'000	30 June 2011 \$'000
	Notes		
Revenue			
Toll, fee and other road revenue		846,196	799,217
Construction revenue		286,258	220,015
Business development and other revenue		22,030	17,284
	3	1,154,484	1,036,516
Road operating costs		(186,134)	(160,396)
Corporate costs		(31,602)	(39,117)
Business development costs		(19,591)	(13,070)
Construction costs		(280,222)	(220,015)
		(517,549)	(432,598)
Profit before depreciation and amortisation, net finance costs, equity accounted investments and income taxes		636,935	603,918
Depreciation and amortisation expense	4	(301,641)	(289,435)
Finance income		157,030	270,757
Finance costs		(367,024)	(456,270)
Net finance costs	5	(209,994)	(185,513)
Share of net losses of equity accounted investments	9	(137,946)	(20,198)
Profit / (loss) before income tax		(12,646)	108,772
Income tax benefit	6	71,204	9,386
Profit for the year		58,558	118,158
Profit is attributable to:			
Ordinary equity holders of the stapled group		54,905	112,467
Non-controlling interests		3,653	5,691
		58,558	118,158
		Cents	Cents
Earnings per security attributable to ordinary equity holders of the stapled group:			
Basic earnings per stapled security	33	3.8	7.8
Diluted earnings per stapled security	33	3.8	7.8

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 2012

	30 June 2012 \$'000	30 June 2011 \$'000
Profit for the year	58,558	118,158
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	(210,773)	(17,216)
Exchange differences on translation of foreign operations, net of tax	12,980	(7,613)
Other comprehensive income for the year, net of tax	(197,793)	(24,829)
Total comprehensive income for the year	(139,235)	93,329
Total comprehensive income for the year is attributable to:		
Owners of Transurban Holdings Limited	119,618	110,722
Non-controlling interests	(258,853)	(17,393)
	(139,235)	93,329

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 2012

		30 June 2012 \$'000	30 June 2011 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	7	318,148	411,880
Trade and other receivables	8	78,420	217,560
Derivative financial instruments	11	-	1,065
Total current assets		396,568	630,505
Non-current assets			
Equity accounted investments	9	335,190	524,834
Held to maturity investments	10	791,392	724,225
Derivative financial instruments	11	137	55,238
Property, plant and equipment	12	191,964	177,548
Deferred tax assets	13	12,551	12,899
Intangible assets	14	8,174,115	8,278,281
Total non-current assets		9,505,349	9,773,025
Total assets		9,901,917	10,403,530
LIABILITIES			
Current liabilities			
Trade and other payables	15	110,103	221,363
Borrowings	16	-	202,870
Derivative financial instruments	11	1,315	136,431
Current tax liabilities		8,510	13,706
Provisions	17	293,485	296,586
Other liabilities	18	73,251	89,622
Total current liabilities		486,664	960,578
Non-current liabilities			
Borrowings	16	4,489,397	4,035,817
Deferred tax liabilities	13	687,287	843,846
Provisions	17	193,755	262,573
Derivative financial instruments	11	504,016	255,711
Other liabilities	18	53,673	52,654
Total non-current liabilities		5,928,128	5,450,601
Total liabilities		6,414,792	6,411,179
Net assets		3,487,125	3,992,351
EQUITY			
Contributed equity	19	7,847,912	7,772,117
Reserves	20	(138,340)	26,461
(Accumulated losses)	20	(4,232,045)	(4,085,426)
Non-controlling interest - Transurban International Limited		(148,505)	104,041
Non-controlling interests		158,103	175,158
Total equity		3,487,125	3,992,351

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 2012

		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 2010	7,656,383	52,594	(3,836,959)	3,872,018	304,491	4,176,509
	Comprehensive income						
	Profit (loss) for the year	-	-	140,915	140,915	(22,757)	118,158
	Other comprehensive income	-	(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:						
	Treasury securities	91	-	-	91	12	103
19	Distribution reinvestment plan	115,831	-	-	115,831	8,719	124,550
20	Distributions provided for or paid	-	-	(389,463)	(389,463)	-	(389,463)
	Distributions to non-controlling interest	-	-	-	-	(17,226)	(17,226)
	Changes in value of share-based payment reserve	(188)	4,060	81	3,953	596	4,549
20		115,734	4,060	(389,382)	(269,588)	(7,899)	(277,487)
	Balance at 30 June 2011	7,772,117	26,461	(4,085,426)	3,713,152	279,199	3,992,351
	Balance at 1 July 2011	7,772,117	26,461	(4,085,426)	3,713,152	279,199	3,992,351
	Comprehensive income						
	Profit (loss) for the year	-	-	282,431	282,431	(223,873)	58,558
	Other comprehensive income	-	(162,813)	-	(162,813)	(34,980)	(197,793)
	Total comprehensive income	-	(162,813)	282,431	119,618	(258,853)	(139,235)
	Transactions with owners in their capacity as owners:						
	Treasury securities	1,433	-	-	1,433	207	1,640
19	Distribution reinvestment plan	72,961	-	-	72,961	3,040	76,001
20	Distributions provided for or paid	-	-	(429,203)	(429,203)	-	(429,203)
	Distributions to non-controlling interest	-	-	-	-	(13,610)	(13,610)
	Changes in value of share-based payment reserve	1,401	(1,988)	153	(434)	(385)	(819)
20		75,795	(1,988)	(429,050)	(355,243)	(10,748)	(365,991)
	Balance at 30 June 2012	7,847,912	(138,340)	(4,232,045)	3,477,527	9,598	3,487,125

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

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

Transurban Holdings Limited
Consolidated statement of cash flows
For the year ended 30 June 2012

	30 June	30 June
	2012	2011
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	945,544	912,781
Payments to suppliers and employees (inclusive of GST)	(340,656)	(338,579)
Payments for maintenance of intangible assets	(27,731)	(18,429)
Other revenue	34,078	24,869
Interest received	229,786	217,598
Interest paid	(421,841)	(380,900)
Income taxes paid	(45,937)	(42,649)
Net cash inflow from operating activities	31 373,243	374,691
Cash flows from investing activities		
Payments for held-to-maturity investments, net of fees	(6,975)	-
Payments for equity accounted investments	(18,271)	(29,356)
Payments for intangible assets	(262,306)	(797,733)
Payments for property, plant and equipment	(41,832)	(36,617)
Distributions received from equity accounted investments	53,500	41,000
Net cash (outflow) from investing activities	(275,884)	(822,706)
Cash flows from financing activities		
Proceeds from borrowings, net of costs	1,606,050	1,067,641
Repayment of borrowings	(1,445,870)	(639,130)
Proceeds from sale of treasury securities, net of costs	-	103
Dividends and distributions paid to the Group's security holders	21 (336,549)	(232,577)
Distributions paid to non-controlling interests	(14,891)	(15,542)
Net cash (outflow) inflow from financing activities	(191,260)	180,495
Net (decrease) in cash and cash equivalents	(93,901)	(267,520)
Cash and cash equivalents at the beginning of the year	411,880	681,259
Effects of exchange rate changes on cash and cash equivalents	169	(1,859)
Cash and cash equivalents at end of the year	7 318,148	411,880

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 statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The Transurban Group financial statements have been prepared as an aggregation of the financial statements of Transurban Holdings Limited (THL) and controlled entities, Transurban International Limited (TIL) and controlled entities and Transurban Holding Trust (THT) and controlled entities, as if all entities operate together. They are therefore treated as a combined entity (hereon referred to as "the Group"), 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 \$90.1 million as at 30 June 2012. 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 2012 the Group has available a total of \$398.2 million of undrawn borrowing 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 statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to 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.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries (continued)

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.

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 initially being 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.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

Transactions and balances

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

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

Foreign operations

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

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

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

(e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

- Toll 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 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.

Investment allowances

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Tax consolidation legislation

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

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

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (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 income statement as a bargain purchase.

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

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

1 Summary of significant accounting policies (continued)

(i) Impairment of assets

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

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

(j) Cash and cash equivalents

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

(k) Investments and other financial assets

Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Loans and receivables (continued)

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Recognition and derecognition

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

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

Subsequent measurement

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

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

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Impairment

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

(l) Derivatives and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 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.

1 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

Cash flow hedges (continued)

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

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

Net investment hedges

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

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

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

Derivatives that do not qualify for hedge accounting

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

(m) Property, plant and equipment

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

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

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

Depreciation

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

Impairment

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

1 Summary of significant accounting policies (continued)

(n) Intangible assets

Concession Assets

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

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

Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(o) Financial liabilities

Trade and other payables

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

Concession and promissory notes

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

(p) Borrowings

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

Borrowings are removed from the balance 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 period.

1 Summary of significant accounting policies (continued)

(q) Borrowing costs

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

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

(r) Provisions

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

Provisions are 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.

Provision for maintenance

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

Provision for distribution

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

(s) Employee benefits

Short-term obligations

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

Long-term employee benefit obligations

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

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

Equity-based compensation benefits

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

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

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

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

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

Superannuation

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

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

Termination benefits

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

(t) Contributed equity

Stapled securities are classified as equity.

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

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

(u) Parent entity financial information

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

1 Summary of significant accounting policies (continued)

(u) Parent entity financial information (continued)

Investments in subsidiaries and associates

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

Tax consolidation legislation

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

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

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

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

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

(v) Goods and Services Tax (GST)

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

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

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

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 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 January 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.

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

(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) (continued)

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 112 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Management are currently assessing the impact but do not believe it will be significant.

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date.

(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.

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

(iv) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date.

(v) *AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012.

(vi) *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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:

Segment	Assets
Victoria, Australia	CityLink
New South Wales, Australia	Hills M2 Motorway Lane Cove Tunnel 75.1 per cent interest in the M1 Eastern Distributor 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.

Segment information - Proportional Income Statement

The CEO and Executive Committee assesses the performance of the operating segments based on a measure of underlying 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 2012 and 30 June 2011 is detailed in the following tables.

2 Segment information (continued)

Segment information - Proportional Income Statement (continued)

30 June 2012	New South Wales										USA			Corporate	Total
	Victoria					New South Wales					USA				
	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 Transurban DRIVE			
Toll revenue	471,618	141,171	59,966	69,599	90,532	100,237	-	461,505	10,750	-	-	10,750	-	-	943,873
Fee and other revenue	44,803	3,315	1,641	157	5,802	1,311	23,524	35,750	105	-	-	105	22,649	103,307	103,307
Total revenue	516,421	144,486	61,607	69,756	96,334	101,548	23,524	497,255	10,855	-	-	10,855	22,649	1,047,180	1,047,180
Underlying proportional EBITDA	404,302	113,820	35,422	49,027	82,276	78,656	9,856	369,057	6,981	-	(3,955)	3,026	7,599	783,984	783,984
Proportional EBITDA	404,302	113,820	35,422	49,027	82,276	78,656	9,856	369,057	6,981	-	(3,955)	3,026	7,599	783,984	783,984
Interest revenue	8,231	1,135	860	39,664	831	2,313	608	45,411	3	1,501	-	1,504	93,325	148,471	148,471
Interest expense	(74,508)	(35,155)	(20,321)	(48,381)	(20,438)	(138,203)	(6)	(262,504)	(19,499)	-	-	(19,499)	(172,580)	(529,091)	(529,091)
Depreciation and amortisation	(144,809)	(64,267)	(24,559)	(38,980)	(43,265)	(33,923)	(1,247)	(206,241)	(14,348)	-	-	(14,348)	(14,699)	(380,097)	(380,097)
Impairment of assets	-	-	-	-	-	-	-	-	(302,490)	-	-	(302,490)	-	(302,490)	(302,490)
Proportional profit (loss) before tax	193,216	15,533	(8,598)	1,330	19,404	(91,157)	9,211	(54,277)	(329,353)	1,501	(3,955)	(331,807)	(86,355)	(279,223)	(279,223)
Income tax benefit (expense)	(11,319)	22,544	(1,216)	7,269	(14,654)	20,071	(2,764)	31,250	73,959	-	2,972	76,931	54,312	151,174	151,174
Proportional net profit (loss)	181,897	38,077	(9,814)	8,599	4,750	(71,086)	6,447	(23,027)	(255,394)	1,501	(983)	(254,876)	(32,043)	(128,049)	(128,049)

2 Segment information (continued)

Segment information - Proportional Income Statement (continued)

30 June 2011	New South Wales										USA			Corporate	Total
	Victoria					New South Wales					USA		Total		
	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%	Transurban DRIVE			
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	19	7,354	81,933
Total revenue	476,607	147,747	53,028	69,370	89,135	96,543	22,348	478,171	10,837	-	-	10,837	10,837	7,354	972,969
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	(25,871)	718,684	
One off items	-	-	-	-	-	-	-	-	-	-	-	-	-	18,625	18,625
Proportional EBITDA	382,069	119,739	29,807	52,382	75,171	74,658	8,522	360,279	6,321	-	(4,114)	2,207	(7,246)	737,309	
Interest revenue	6,573	2,096	680	128,133	840	1,987	629	134,365	59	1,595	-	1,654	89,980	232,572	
Interest expense	(83,255)	(41,012)	(17,815)	(124,189)	(20,508)	(130,214)	(2)	(333,740)	(18,775)	-	-	(18,775)	(148,254)	(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)	(4,807)	(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)	(70,327)	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	24,353	
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)	(35,897)	47,825	

2 Segment information (continued)

Other segment information - Proportional income statement

Proportional basis of presenting results

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

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

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

Segment revenue

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

Segment revenue reconciles to total statutory revenue as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Total segment revenue (proportional)	1,047,180	972,969
Add: Revenue attributable to non-controlling interest	25,022	25,682
Less: Revenue of non-controlled assets	(208,737)	(196,515)
Construction revenue recognised in accordance with AASB-I 12 Service Concession Arrangements	265,535	212,659
Business development revenue (offset against business development costs for proportional result)	19,550	16,255
Other	5,934	5,466
Total revenue (note 3)	1,154,484	1,036,516

Interest revenue

Interest revenue is earned through infrastructure bonds, bank interest revenue and term loan note interest received.

Interest revenue reconciles to total statutory finance income as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Total segment interest revenue (proportional)	148,471	232,572
Add: Interest revenue attributable to non-controlling interest	13,207	42,672
Less: Interest revenue of non-controlled assets	(4,648)	(4,487)
Total statutory finance income (note 5)	157,030	270,757

2 Segment information (continued)

Other segment information - Proportional income statement (continued)

Reconciliation of proportional EBITDA to statutory profit for the year

Proportional EBITDA reconciles to statutory net profit as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Proportional EBITDA	783,984	737,309
Add: Proportional EBITDA attributable to non-controlling interest	16,909	18,645
Less: Proportional EBITDA of M5	(82,276)	(75,171)
Less: Proportional EBITDA of M7	(78,656)	(74,658)
Less: Proportional EBITDA of Pocahontas	(6,981)	(6,321)
Less: Proportional EBITDA of Other Transurban DRIVE	3,955	4,114
Statutory profit before depreciation and amortisation, net finance costs, equity accounted investments and tax	636,935	603,918
Statutory net finance costs	(209,994)	(185,513)
Statutory depreciation and amortisation	(301,641)	(289,435)
Share of net losses of equity accounted investments	(137,946)	(20,198)
Income tax benefit	71,204	9,386
Profit for the year	58,558	118,158

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 2012 \$'000	30 June 2011 \$'000
M4 handback provision and reversal of contingent liability recognised on acquisition	-	18,625
	-	18,625

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 periods ended 30 June 2012 and 30 June 2011 is as follows:

30 June 2012	Victoria		New South Wales				Roam & Tollaustr \$'000	Total New South Wales \$'000	USA Transurban DRIVE \$'000	Corporate	Total
	CityLink \$'000	Hills M2 \$'000	Lane Cove Tunnel \$'000	M1 Eastern Distributor \$'000	M5 \$'000	M7 \$'000					
Total segment assets	3,391,936	2,439,764	623,582	1,894,221	343,915	782,667	54,508	6,138,657	-	371,324	9,901,917
Total segment assets include: Investments in associates and joint venture partnerships	-	-	-	-	335,190	-	-	335,190	-	-	335,190
Additions to non-current assets (other than financial assets and deferred tax)	21,919	247,525	-	-	-	-	879	248,404	-	31,828	302,151

2 Segment information (continued)

Segment information - Segment assets (continued)

30 June 2011	Victoria		New South Wales				Roam & Tollaustr Tollaustr \$'000	Total New South Wales \$'000	USA	Corporate	Total
	CityLink \$'000	Hills M2 \$'000	Lane Cove Tunnel \$'000	M1 Eastern Distributor \$'000	M5 \$'000	M7 \$'000					
Total segment assets	3,536,074	2,222,608	645,192	2,110,444	383,890	724,225	46,908	6,133,267	140,944	593,245	10,403,530
Total segment assets include:											
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

3 Revenue

		30 June 2012 \$'000	30 June 2011 \$'000
	Notes		
Toll revenue	3(a)	765,431	724,130
Fee revenue	3(a)	61,782	56,693
Other road revenue	3(b)	18,983	18,394
Total toll, fee and other road revenue		846,196	799,217
Construction revenue	3(c)	286,258	220,015
Business development revenue	3(d)	19,550	16,255
Other revenue		2,480	1,029
Total business development and other revenue		22,030	17,284
Total revenue		1,154,484	1,036,516

(a) Toll and fee revenue

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

(b) Other road revenue

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

(c) Construction revenue

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

(d) Business development revenue

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

4 Expenses

	30 June 2012 \$'000	30 June 2011 \$'000
Profit before income tax includes the following specific expenses:		
Provision for impairment of trade receivables recognised during the year	829	1,089
Rental expenses relating to operating leases	4,157	4,828
Employee benefit expense	86,035	88,262
Defined contribution superannuation expense	4,229	4,889
Share based payment expense	3,131	4,581

Transurban Holdings Limited
Notes to the consolidated financial statements
30 June 2012
(continued)

4 Expenses (continued)

	30 June 2012 \$'000	30 June 2011 \$'000
Provision for maintenance recognised during the year	18,945	14,748
M4 handback provision and reversal of contingent liability recognised on acquisition	-	(18,625)
	30 June 2012 \$'000	30 June 2011 \$'000
<i>Concession fees (road operating cost) are attributable to:</i>		
Hills M2 Motorway	1,476	1,280
M1 Eastern Distributor	1,722	1,689
	3,198	2,969
<i>Depreciation and amortisation expense</i>		
Road operating cost	287,073	285,008
Corporate cost	14,568	4,427
	301,641	289,435

5 Net finance costs

	30 June 2012 \$'000	30 June 2011 \$'000
Finance income		
Interest income on infrastructure bonds *	50,129	168,403
Interest income on held to maturity investments	91,341	84,565
Interest income on bank deposits	15,560	17,789
Total finance income	157,030	270,757
Finance costs		
Interest and finance charges paid/payable	(338,286)	(324,899)
Interest charges paid/payable on infrastructure bonds *	(16,757)	(113,546)
Unwind of discount on liabilities	(11,911)	(17,156)
Net foreign exchange losses	(70)	(669)
Total finance costs	(367,024)	(456,270)
Net finance costs	(209,994)	(185,513)

(*) - The M1 Eastern Distributor infrastructure bonds matured in August 2011.

6 Income tax benefit

Income tax benefit

	30 June 2012 \$'000	30 June 2011 \$'000
Current tax	54,793	31,084
Deferred tax	(111,748)	(47,973)
Under (over) provision in prior years	(14,249)	7,503
	<u>(71,204)</u>	<u>(9,386)</u>

Deferred income tax (benefit) expense included in income tax benefit comprises:

(Increase) decrease in deferred tax assets (note 13)	(49,544)	(81,669)
(Decrease) increase in deferred tax liabilities (note 13)	(62,204)	33,696
	<u>(111,748)</u>	<u>(47,973)</u>

Numerical reconciliation of income tax benefit to prima facie tax payable

	30 June 2012 \$'000	30 June 2011 \$'000
Profit (loss) before income tax benefit	<u>(12,646)</u>	108,772
Tax at the Australian tax rate of 30% (2011 - 30%)	(3,794)	32,632
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Trust income not subject to tax	(102,688)	(93,123)
Accounting depreciation on non tax depreciable assets	6,349	5,094
Infrastructure bond non-deductible interest	5,027	34,064
Equity accounted results	41,383	6,059
Sundry items	(3,232)	(1,615)
	<u>(56,955)</u>	<u>(16,889)</u>
Under (over) provision in prior years	(14,249)	7,503
Income tax benefit	<u>(71,204)</u>	<u>(9,386)</u>

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

Cash flow hedges (note 20)	(43,823)	(12,560)
Foreign currency translation (note 20)	192	(432)
	<u>(43,631)</u>	<u>(12,992)</u>

6 Income tax benefit (continued)

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 2012 \$'000	30 June 2011 \$'000
Cash at bank and in hand	<u>318,148</u>	<u>411,880</u>
	318,148	411,880

All cash balances are interest bearing.

Funds not for general use

The amount shown in Cash at Bank includes \$68.0 million not available for general use at 30 June 2012 (2011: \$77.8 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 2012 \$'000	30 June 2011 \$'000
Trade receivables	36,440	31,817
Provision for impairment of receivables	(973)	(1,185)
	35,467	30,632
Infrastructure bond interest receivable	-	149,370
Other receivables	37,103	32,204
Prepayments	5,850	5,354
	78,420	217,560

Provision for impaired trade and other receivables

As at 30 June 2012 current trade receivables of the Group with a nominal value of \$973,000 (2011: \$1,185,000) were considered impaired and accordingly the Group held a provision for impairment of \$973,000 (2011: \$1,185,000). As at 30 June 2012, trade receivables of \$9,783,000 (2011: \$2,097,000) 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 2012			
Trade and other receivables			
Current (not past due)	25,684	265	265
less than 30 days overdue	9,194	66	66
more than 30 but less than 60 days overdue	491	50	50
more than 60 but less than 90 days overdue	88	54	54
more than 90 days overdue	10	538	538
	35,467	973	973
	Not Impaired \$'000	Impaired \$'000	Allowance for Doubtful Debts \$'000
For the year ended 30 June 2011			
Trade and other receivables			
Current (not past due)	28,535	732	732
less than 30 days overdue	1,617	22	22
more than 30 but less than 60 days overdue	327	114	114
more than 60 but less than 90 days overdue	52	42	42
more than 90 days overdue	101	275	275
	30,632	1,185	1,185

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.

8 Current assets - Trade and other receivables (continued)

Provision for impaired trade and other receivables (continued)

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

	30 June 2012 \$'000	30 June 2011 \$'000
At 1 July	1,185	579
Provision for impairment recognised during the year	829	1,089
Receivables written off during the year as uncollectable	(1,041)	(483)
At 30 June	973	1,185

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 amounts	
	30 June 2012 %	30 June 2011 %	30 June 2012 \$'000	30 June 2011 \$'000
	Westlink M7:			
WSO Co Pty Limited	50	50	-	-
Westlink Motorway Limited	50	50	-	-
WSO Finance Pty Limited	50	50	-	-
Westlink Motorway Partnership	50	50	-	-
Interlink Roads Pty Ltd (M5 Motorway)	50	50	335,190	383,890
Transurban DRIVe Holdings LLC (Transurban DRIVe)	75	75	-	140,944
			335,190	524,834

Summarised financial information of equity accounted investments

2012	Ownership Interest %	Assets \$'000	Group's share of:		
			Liabilities \$'000	Revenues \$'000	Profit (loss) \$'000
Westlink M7	50	994,356	(1,520,435)	101,548	(71,086)
M5 Motorway	50	654,094	(318,904)	96,334	4,800
Transurban DRIVe	75	1,344,261	(1,374,961)	10,855	(249,269)
		2,992,711	(3,214,300)	208,737	(315,555)

9 Equity accounted investments (continued)

Summarised financial information of equity accounted investments (continued)

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	1,376,446	(1,235,502)	10,837	(16,341)
		<u>3,056,770</u>	<u>(2,938,283)</u>	<u>196,516</u>	<u>(90,434)</u>

	Westlink M7		M5 Motorway		Transurban DRIVE		Total	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Movement in carrying amounts

Carrying amount 1 July	-	-	383,890	428,747	140,944	170,712	524,834	599,459
Investments in associates	-	-	50	-	17,586	28,103	17,636	28,103
Share of profits / (losses) after tax	-	-	4,750	(3,857)	(142,696)	(16,341)	(137,946)	(20,198)
Distributions received	-	-	(53,500)	(41,000)	-	-	(53,500)	(41,000)
Movement in exchange rate	-	-	-	-	24,162	(52,957)	24,162	(52,957)
Movement in reserves	-	-	-	-	(39,996)	11,427	(39,996)	11,427
Carrying amount at 30 June	-	-	335,190	383,890	-	140,944	335,190	524,834

Share of profits or losses

Profit/(loss) before tax	-	-	19,404	11,417	(191,707)	(22,664)	(172,303)	(11,247)
Income tax (expense)/benefit	-	-	(14,654)	(15,274)	49,011	6,323	34,357	(8,951)
	-	-	4,750	(3,857)	(142,696)	(16,341)	(137,946)	(20,198)

Shares of losses not recognised

Balance at 1 July	341,496	271,260	-	-	-	-	341,496	271,260
Unrecognised losses for the year	71,086	70,236	-	-	106,573	-	177,659	70,236
Balance at 30 June	412,582	341,496	-	-	106,573	-	519,155	341,496

Share of expenditure commitments

Capital commitments	-	-	133,112	604	64,387	323,835	197,499	324,439
Operating commitments	204,657	191,045	-	-	186,554	143,657	391,211	334,702
	204,657	191,045	133,112	604	250,941	467,492	588,710	659,141

Contingent liabilities

Share of contingent liabilities incurred jointly with other investors	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

9 Equity accounted investments (continued)

Westlink M7

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

WSO Co Pty Limited is the operator of the Motorway.

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

WSO Finance Pty Limited is the financier of the Motorway.

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

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

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

M5 Motorway

Transurban holds a 50 per cent ownership interest in the M5 Motorway in Sydney. Tolls are collected on the M5 in both directions, with four toll collection points. The concession for the M5 Motorway extends to December 2026 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.

9 Equity accounted investments (continued)

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.

In June 2012, after a detailed review of traffic operating forecasts for Pocahontas 895, it was necessary to reduce the carrying value of the asset based on revised lower revenue forecasts. This resulted in a proportional impairment charge of \$302.5 million (see note 2) and an equity accounting charge for the year ended 30 June 2012 of \$138.1 million within the Transurban Group. As noted above there are further additional unrecognised losses of \$106.6 million within the Transurban Group.

10 Non-current assets - Held to maturity investments

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Term loan notes	10(a)	782,667	724,225
M5 debt notes	10(b)	8,725	-
		<u>791,392</u>	<u>724,225</u>

(a) Term loan notes

Term Loan Notes (TLN's) represent Transurban's debt funding contribution to Westlink M7. The fixed maturity date of the TLN's is the earlier of 34 years and the termination of the "Agreement to Lease" between the Roads and Maritime Services (RMS) (formally known as the Roads and Traffic Authority) of New South Wales and Westlink Motorway Limited.

The interest rate charged on these notes is 11.93 per cent and any unpaid interest capitalises into additional notes. During the year ended 30 June 2012 the Group capitalised interest of \$58.4 million (2011: \$46.2 million).

(b) M5 debt notes

The M5 debt notes are Transurban's debt funding contribution to the M5 West Widening Project. The fixed maturity date of the notes is 10 years after financial close of the Project. The interest rate charged on these notes is fixed at 5.0 per cent for the first three years following financial close.

10 Non-current assets - Held to maturity investments (continued)

Impairment and risk exposure

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

11 Derivative financial instruments

	30 June 2012 \$'000	30 June 2011 \$'000
Current assets		
Interest rate swap contracts - cash flow hedges	-	1,065
	-	1,065
Non-current assets		
Interest rate swap contracts - cash flow hedges	70	15,361
Cross-currency interest rate swap contracts - cash flow hedges	-	39,877
Forwards exchange contracts - cash flow hedges	67	-
	137	55,238
Total derivative financial instrument assets	137	56,303
Current liabilities		
Interest rate swap contracts - cash flow hedges	1,201	754
Forward exchange contracts - cash flow hedges	114	135,677
	1,315	136,431
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	279,422	69,404
Cross-currency interest rate swap contracts - cash flow hedges	224,594	186,307
	504,016	255,711
Total derivative financial instrument liabilities	505,331	392,142

Instruments used by the Group

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

The instruments used by the Group are as follows:

11 Derivative financial instruments (continued)

Instruments used by the Group (continued)

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 5.0 per cent (2011: 6.2 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 (2011: 99 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 7.1 per cent (2011: 7.0 per cent).

Forward exchange contracts - cash flow hedges

In order to protect against exchange rate movements, the Group currently uses forward exchange contracts to hedge a portion of the US Private Placement interest (Nov 06 - Tranche C).

The contracts that were in existence in the prior year were settled in November 2011. The Group raised fixed U.S. dollar debt through a US private placement in November 2006. This placement was structured to be capital accretive for five years, with hedging to commence in November 2011. These contract were used to hedge the initial settlement of the cross -currency interest rate swap contracts which commenced in November 2011.

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.

Cross-currency interest rate 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 2010	
Cost	284,285
Accumulated depreciation	(138,232)
Net book amount	146,053
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	177,548
At 30 June 2011	
Cost	319,675
Accumulated depreciation	(142,127)
Net book amount	177,548
Year ended 30 June 2012	
Opening net book amount	177,548
Additions	36,616
Disposals	(1,085)
Depreciation charge	(21,163)
Movement in foreign exchange rates	48
Closing net book amount	191,964
At 30 June 2012	
Cost	352,392
Accumulated depreciation	(160,428)
Net book amount	191,964

13 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2011 \$'000
The balance comprises temporary differences attributable to:						
Accrued expenses	1,384	2,218	-	-	1,384	2,218
Provisions	78,777	74,619	-	-	78,777	74,619
Current and prior year losses	531,913	459,883	-	-	531,913	459,883
Unearned income	8,027	19,494	-	-	8,027	19,494
Fixed Assets/Intangibles	9,460	6,813	(992,585)	(1,013,821)	(983,125)	(1,007,008)
Interest receivable	-	-	(1,413)	(46,119)	(1,413)	(46,119)
Unrealised gain	11,478	27,488	(12,621)	(13,862)	(1,143)	13,626
Prepayments	-	-	(6,165)	(9,986)	(6,165)	(9,986)
Concession fees and promissory notes	513	-	(336,817)	(327,826)	(336,304)	(327,826)
Cash flow hedges	125,658	112,979	(93,944)	(125,088)	31,714	(12,109)
Other	1,599	2,261	-	-	1,599	2,261
Tax assets/(liabilities)	768,809	705,755	(1,443,545)	(1,536,702)	(674,736)	(830,947)
Set off of tax	(756,258)	(692,856)	756,258	692,856	-	-
Net tax assets/(liabilities)	12,551	12,899	(687,287)	(843,846)	(674,736)	(830,947)
Movements:						
Opening balance at 1 July	705,755	553,631	(1,536,702)	(1,443,042)	(830,947)	(889,411)
Credited/(charged) to the income statement	49,544	81,669	62,204	(33,696)	111,748	47,973
Credited/(charged) to equity	12,678	73,701	30,953	(60,709)	43,631	12,992
Foreign exchange movements	832	(3,246)	-	745	832	(2,501)
Closing balance at 30 June	768,809	705,755	(1,443,545)	(1,536,702)	(674,736)	(830,947)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	768,809	705,755	(1,443,545)	(1,536,702)	(674,736)	(830,947)

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 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	260,288	3,186,998	2,065,030	1,982,178	2,474	-	181,651	7,678,619
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
Transfers	-	139,368	-	-	-	-	(139,368)	-
Amortisation charge	-	(139,140)	(64,340)	(52,050)	(501)	(21,844)	-	(277,875)
Closing net book amount	260,288	3,238,837	2,000,690	1,930,128	1,973	626,224	220,141	8,278,281
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	260,288	3,238,837	2,000,690	1,930,128	1,973	626,224	220,141	8,278,281
Year ended 30 June 2012								
Opening net book amount	260,288	3,238,837	2,000,690	1,930,128	1,973	626,224	220,141	8,278,281
Additions	-	-	-	-	-	-	265,535	265,535
Other adjustments (note 17)	-	(89,227)	-	-	-	-	-	(89,227)
Transfers	-	64,180	-	-	-	-	(64,180)	-
Amortisation charge	-	(139,158)	(64,427)	(52,049)	(307)	(24,533)	-	(280,474)
Closing net book amount	260,288	3,074,632	1,936,263	1,878,079	1,666	601,691	421,496	8,174,115
At 30 June 2012								
Cost	260,288	4,654,933	2,517,866	2,153,780	178,788	648,068	421,496	10,835,219
Accumulated amortisation	-	(1,580,301)	(581,603)	(275,701)	(177,122)	(46,377)	-	(2,661,104)
Net book amount	260,288	3,074,632	1,936,263	1,878,079	1,666	601,691	421,496	8,174,115

Goodwill

Goodwill relates to the Group's Sydney Network and has arisen from the acquisition of Hills Motorway Group, Tollau 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.

14 Non-current assets - Intangible assets (continued)

Concession assets (continued)

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 \$64.2 million of assets under construction were transferred to the CityLink concession asset, representing the completed components of the CityLink Upgrade. The provision for contingent consideration associated with M1 Citylink upgrade (see note 17) was reviewed at 30 June 2012. This resulted in a decrease in the provision and a corresponding adjustment to the intangible asset.

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. 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 \$64.2 million were transferred to the CityLink concession asset.

14 Non-current assets - Intangible assets (continued)

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 (2011: 8.8 to 11.0 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 (2011: 2.5 per cent) and AWE of 4.0 per cent (2011: 4.0 per cent) have been used.

15 Current liabilities - Trade and other payables

	30 June 2012 \$'000	30 June 2011 \$'000
Trade payables and accruals	110,103	109,821
Infrastructure bond interest payable	-	111,542
	110,103	<u>221,363</u>

16 Borrowings

	30 June 2012 \$'000	30 June 2011 \$'000
Notes		
Current		
Infrastructure facilities	16(a) -	1,292,301
Less: Infrastructure facility cash reserve	16(a) -	(1,292,301)
Capital Markets debt	16(b) -	202,870
	<u>-</u>	<u>202,870</u>
Non-current		
Working capital facilities	16(c) 58,355	37,383
Capital Markets debt	16(b) 1,276,478	1,037,377
Term debt	16(d) 1,412,849	1,286,769
U.S. Private Placement	16(e) 1,142,963	1,074,951
Syndicated facility	16(f) 598,752	599,337
	<u>4,489,397</u>	<u>4,035,817</u>
Total borrowings	<u>4,489,397</u>	<u>4,238,687</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

The infrastructure facility was repaid in August 2011. The facility was certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The bonds were secured by an infrastructure facility cash reserve equal to the amount of the loan which was set off against the loan facility.

(b) 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 4.0 per cent at 30 June 2012. These facilities are fully hedged with all-in rates of 7.4 and 5.0 per cent respectively.
- \$250.0 million non-credit wrapped fixed rate bonds raised in March 2010 with a term of four years. Interest is payable at 7.3 per cent.
- \$200.0 million non-credit wrapped fixed rate bonds raised in June 2011 with a term of five years. Interest is payable at 6.8 per cent.

The above facilities have deferred borrowing costs of \$10.7 million. These facilities are secured by a first ranking charge over the cash flows of the Group.

The Group also established a US \$2 billion secured EMTN program in October 2011. Under the program the Group may from time to time issue notes denominated in any currency.

The Group issued the following notes under the program during the year:

16 Borrowings (continued)

(b) Capital markets debt (continued)

- \$239.1 million of Canadian dollar denominated (\$250.0m CAD) secured fixed rate medium term notes raised in March 2012 with a term of seven years. Interest is payable at 3.4 per cent. This facility is fully hedged with an all-in rate after hedging of 6.7 per cent.

The EMTN facility has deferred borrowing costs of \$1.9 million. This facility is secured by a first ranking charge over the cash flows of the Group.

(c) Working capital facilities

The Group has the following facilities in place:

- \$110.0 million facility which is for a term of three years, maturing December 2013. At 30 June 2012, \$59.7million of the facility was drawn.
- \$110.0 million facility which is for a term of three years, maturing December 2013. At 30 June 2012, the facility was undrawn.
- \$100.0 million facility which is for a term of three years, maturing April 2013. At 30 June 2012, the facility was undrawn.
- \$100.0 million facility which is for a term of three years, maturing August 2014. At 30 June 2012, the facility was undrawn.
- \$30.0 million facility which is for a term of three years, maturing June 2013. At 30 June 2012, the facility was undrawn.

These facilities are secured by a first ranking charge over the cash flows of the Group. The facilities have deferred borrowing costs of \$1.3 million.

(d) Term debt

The term debt facilities are comprised of:

- \$520.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust). The facility has deferred borrowing costs of \$4.4 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 \$6.5 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 \$0.9 million.

The Airport Motorway facility was refinanced in July 2011 and is fully secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets. The facility is a \$520.0 million non-recourse syndicated facility with terms of three years (\$295.0 million) and seven years (\$225.0 million). The current floating interest rate applicable to the facility is 3.5 per cent (2011: 4.9 per cent). These facilities are currently 99 per cent hedged to an all-in rate after hedging of 7.0 per cent.

The Hills M2 facility was refinanced in November 2010 and is fully secured against the respective rights of Hills Motorway Limited and Hills Motorway Trust and their assets. The facility is a non-recourse syndicated facility totalling \$740.0 million. The financing comprised: the refinancing of \$465.0 million of existing debt with terms of four years (\$400.0 million), and six years (\$65.0 million); and a new construction capex facility of \$275.0 million with a term of six years. As at 30 June 2012, \$179.7 million was drawn under the construction capex facility. The total facility is currently 98.3 per cent hedged with an all-in rate after hedging of 7.1 per cent.

16 Borrowings (continued)

(d) Term debt (continued)

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 3.6 per cent (2011: 4.9 per cent). The facility is currently fully hedged to an all-in rate after hedging of 7.0 per cent.

(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	98,126	Dec 2014
Dec 04 - Tranche B	5.17%	38,900	38,171	Dec 2016
Dec 04 - Tranche C	5.47%	108,600	106,564	Dec 2019
Aug 05 - Tranche A	5.04%	98,000	96,163	Aug 2015
Aug 05 - Tranche B	5.19%	125,500	123,148	Aug 2017
Aug 05 - Tranche C	5.35%	156,500	153,567	Aug 2020
Nov 06 - Tranche A	5.71%	56,980	55,912	Nov 2016
Nov 06 - Tranche B	5.86%	181,534	178,132	Nov 2018
Nov 06 - Tranche C	5.95%	162,220	159,179	Nov 2021
Nov 06 - Tranche D	6.06%	67,392	66,129	Nov 2026
		1,095,626	1,075,091	
Floating Interest Rate				
Dec 04 - Tranche D	4.1%		72,000	Dec 2019
			72,000	
Total US Private Placement			1,147,091	
Deferred borrowing costs			(4,128)	
Total			1,142,963	

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 2012, the Group has deferred \$45.4 million in gains (2011: \$53.2 million).

(f) Syndicated facility

These facilities, established in August 2007 and December 2011, comprise syndicated bank debt issued by Transurban Finance Company Pty Limited. At 30 June 2012, the following amounts were drawn:

16 Borrowings (continued)

(f) Syndicated facility (continued)

- \$215.0 million which is for a term of circa three years, maturing February 2015.
- \$160.0 million which is for a term of circa five years, maturing February 2017.
- \$100.0 million which is for a term of seven years, maturing August 2014.
- \$125.0 million which is for a term of ten years, maturing August 2017.

Applicable interest rates ranging between 5.0 and 6.4 per cent. These facilities are fully hedged with an all-in rate after hedging of 8.0 per cent.

These facilities have deferred borrowing costs of \$1.2 million and are 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 2012, letters of credit to the value of \$42.1 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 2012, \$5.3 million of bank guarantees have been issued which are currently undrawn and therefore no liabilities have been recorded. The 365 day facility matures June 2013.

Set-off of assets and liabilities

In the prior year, a legal right of set-off was in place in respect of the specific cash deposit of \$1,292.3 million representing collateralisation of the M1 Airport Motorway Infrastructure Facility.

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 2012, the Group's security price would need to close below \$2.15 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 2012 \$'000	30 June 2011 \$'000
Current			
Employee benefits	17(a)	18,119	20,118
Onerous lease provision	17(b)	1,560	2,101
Distribution to security holders	17(c)	218,798	202,146
Distribution to non-controlling interests in subsidiaries	17(c)	28,065	29,347
Maintenance provision	17(d)	26,943	42,874
		<u>293,485</u>	<u>296,586</u>
Non-current			
Employee benefits	17(a)	5,602	2,226
Maintenance provision	17(d)	175,782	158,749
Provision for contingent consideration	17(e)	12,371	101,598
		<u>193,755</u>	<u>262,573</u>
Total provisions		<u>487,240</u>	<u>559,159</u>

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 interest in subsidiaries \$'000	Current maintenance provision \$'000	Non-current maintenance provision \$'000	Provision for contingent consideration \$'000
Consolidated - 2012						
Balance at 1 July	2,101	202,146	29,347	42,874	158,749	101,598
Additional provision recognised	-	429,203	13,036	18,945	-	-
Unutilised amounts	-	-	-	-	-	(89,227)
Amounts paid/utilised	(634)	(412,551)	(14,318)	(29,940)	-	-
Movements in foreign exchange rates	93	-	-	-	-	-
Unwinding of discount	-	-	-	-	12,097	-
Transfer	-	-	-	(4,936)	4,936	-
Balance at 30 June	<u>1,560</u>	<u>218,798</u>	<u>28,065</u>	<u>26,943</u>	<u>175,782</u>	<u>12,371</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.

17 Provisions (continued)

(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 2012 \$'000	30 June 2011 \$'000
Current			
Prepaid tolls	18(a)	59,976	59,046
Unearned income	18(b)	12,694	29,995
Other		581	581
		73,251	89,622
Non-current			
Concession and promissory notes	18(c)	51,072	49,510
Lease incentive		1,984	2,565
Other		617	579
		53,673	52,654
Total other liabilities		126,924	142,276

(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.

18 Other liabilities (continued)

(c) Concession and promissory notes

M1 Eastern Distributor

The Eastern Distributor Project Deed between Airport Motorway Limited, Airport Motorway Trust and the Roads and Maritime Services (RMS) provides for annual concession fees of \$15.0 million during the construction phase and for the first 24 years after construction completion of the M1 Eastern Distributor. Until a certain threshold return is achieved, payments of concession fees due under the Project Deed will be satisfied by means of the issue of non-interest bearing Concession Notes.

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

The face value of Concession Notes on issue at 30 June 2012 is \$225 million (2011: \$210.0 million). The net present value at 30 June 2012 of the redemption payments relating to these Concession Notes is \$30.7 million (2011: \$29.8 million).

M2 Motorway

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

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

The face value of Promissory Notes on issue at 30 June 2012 is \$136.9 million (2011: \$126.5 million). The net present value at 30 June 2012 of the redemption payments relating to these Promissory Notes is \$20.3 million (2011: \$19.7 million).

19 Contributed equity

Share capital

	30 June 2012 \$'000	30 June 2011 \$'000
Fully paid stapled securities	<u>7,847,912</u>	<u>7,772,117</u>
	7,847,912	7,772,117
	30 June 2012 Number '000	30 June 2011 Number '000
Fully paid stapled securities	<u>1,458,321</u>	<u>1,443,193</u>
	1,458,321	1,443,193

Stapled securities

The number of stapled securities on issue is 1,458,321,154 (2011: 1,443,543,731). The difference in the prior year of 351,075 relates to treasury securities.

Stapled securities entitle the holder to participate in distributions and on 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 objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to security holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

19 Contributed equity (continued)

Movements in ordinary share capital:

	Notes	Number of units \$'000	Consolidated \$'000
Opening balance at 1 July 2010		1,414,295	7,656,383
Distribution reinvestment plan	19(a)	28,876	124,550
Purchase, disposal and vesting of treasury securities	19(b)	22	103
Transfer vesting portion of LTI from share-based payment reserve	19(b)	-	440
Purchase of Performance Rights Plan units	19(b)	-	(675)
Less: Amounts attributable to Transurban International Limited	19(c)	-	(8,684)
Closing balance at 30 June 2011		<u>1,443,193</u>	<u>7,772,117</u>
Opening balance at 1 July 2011		1,443,193	7,772,117
Distribution reinvestment plan	19(a)	14,162	76,001
Disposal and vesting of treasury securities	19(b)	351	1,640
Transfer vesting portion of LTI from share-based payment reserve	19(b)	615	4,051
Purchase of Performance Awards Plan units	19(b)	-	(2,496)
Less: Amounts attributable to Transurban International Limited	19(c)	-	(3,401)
Closing balance at 30 June 2012		<u>1,458,321</u>	<u>7,847,912</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 executives under share based payment plans. The securities were held by the executive but vested in the executive in accordance with the terms of the plans. The acquired securities could not be transferred or sold prior to vesting date. On forfeit, the securities were sold on market.

19 Contributed equity (continued)

(c) 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

Reserves

	30 June 2012 \$'000	30 June 2011 \$'000
Cash flow hedges	(129,119)	34,560
Share-based payments	8,200	10,188
Foreign currency translation	(12,294)	(13,160)
Transactions with non-controlling interests	(5,127)	(5,127)
	(138,340)	26,461

30 June 2012 \$'000	30 June 2011 \$'000
------------------------------------	------------------------------------

Movements:

Cash flow hedges

Balance 1 July	34,560	63,602
Revaluation - gross	(219,648)	(45,578)
Deferred tax (note 13)	43,823	12,560
Transfer to net profit	5,048	4,375
Amount attributable to non-controlling interest	7,098	(399)
Movement in associate's reserve	(39,996)	11,427
Movement in associate's reserve attributable to non-controlling interest	39,996	(11,427)
Balance 30 June	(129,119)	34,560

Share-based payments

Balance 1 July	10,188	6,128
Employee share plan expense	3,131	4,581
Transfer vesting portion of LTI to contributed equity	(4,966)	(440)
Transfer non-vesting portion of LTI to retained earnings	(153)	(81)
Balance 30 June	8,200	10,188

Foreign currency translation

Balance 1 July	(13,160)	(12,009)
Deferred tax (note 13)	(192)	432
Currency translation differences arising during the year	13,172	(8,045)
Currency translation differences arising during the year attributable to non-controlling interest	(12,114)	6,462
Balance 30 June	(12,294)	(13,160)

20 Reserves and accumulated losses (continued)

Reserves (continued)

	30 June 2012 \$'000	30 June 2011 \$'000
<i>Transactions with non-controlling interests</i>		
Balance 1 July	(5,127)	(5,127)
Balance 30 June	(5,127)	(5,127)

Accumulated losses

Movements in (accumulated losses) were as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Balance 1 July	(4,085,426)	(3,836,959)
Profit (loss) attributable to ordinary equity holders of the stapled group	54,905	112,467
Distributions to ordinary security holders	(429,203)	(389,463)
Transfer of loss attributable to non-controlling interest - Transurban International Limited	227,526	28,448
Transfer non-vesting portion of LTI from share-based payment reserve	153	81
Balance 30 June	(4,232,045)	(4,085,426)

Nature and purpose of reserves

Cash flow hedges

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

Share-based payments

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

Foreign currency translation

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

Transactions with non-controlling interests

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

21 Distributions

	30 June 2012 \$'000	30 June 2011 \$'000
Distribution payable		
Final distribution for 2012 financial year payable and recognised as a liability: 15.0 cents (2011: 14.0 cents) per fully paid Stapled Security payable 14 August 2012		
Fully franked (2011: 0% franked) based on tax paid @ 30% - 3.5 cents (2011: 0.0 cents) per fully paid Stapled Security	51,041	-
Unfranked final distribution - 11.5 cents (2011: 14.0 cents) per fully paid Stapled Security	167,707	202,096
	218,748	202,096
Distributions paid during the year		
Final (unfranked) distribution for 2011 financial year of 14.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 11 August 2011		
	202,096	169,760
	202,096	169,760
Interim distribution for 2012 financial year of 14.5 cents (2011: 13.0 cents) per fully paid Stapled Security paid 14 February 2012		
Fully franked (2011: 0% franked) based on tax paid @ 30% - 3.5 cents (2011: 0.0 cents) per fully paid Stapled Security	50,801	-
Unfranked interim distribution - 11.0 cents (2011: 13.0 cents) per fully paid Stapled Security	159,654	187,367
	210,455	187,367
Total distributions paid during the year	412,551	357,127
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the year ended 30 June 2012 and 2011		
Paid in cash	336,549	232,577
Satisfied by issue of Stapled Securities	76,001	124,557
Funds available (from)/for future distribution reinvestment plans	1	(7)
	412,551	357,127

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 calculates free cash as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Cash flows from operating activities	373,243	374,691
Less Westlink M7 Term Loan Note interest received	(30,866)	(36,991)
Add back payments for maintenance of intangibles	27,731	18,429
	370,108	356,129
Less cash flows from operating activities - M1 Eastern Distributor and M4	(45,406)	(53,069)
Controlled cash	324,702	303,060
Add dividends and distributions received		
M1 Eastern Distributor	43,183	32,368
M4 Statewide Roads	354	4,877
M5 Interlink	53,500	41,000
Westlink M7 Term Loan Note interest	30,866	36,991
Less allowance for maintenance of capital expenditure for CityLink, Hills M2 and Lane Cove Tunnel, and e-Tag expenditure	(19,208)	(23,035)
Free cash	433,397	395,261
One-off items		
Contribution from M4	-	(4,877)
Underlying free cash	433,397	390,384
Weighted average securities on issue (millions)	1,453	1,438
Underlying free cash per security (cents) - weighted average securities	29.8	27.1
Free cash per security (cents) - weighted average securities	29.8	27.5
Securities on issue (millions)	1,458	1,444
Underlying free cash per security (cents) - securities on issue	29.7	27.0
Free cash per security (cents) - securities on issue	29.7	27.4

21 Distributions (continued)

Franking credits

	30 June 2012 \$'000	30 June 2011 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2011 - 30%)	319,886	282,254

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:

Amounts received or due and receivable by PricewaterhouseCoopers

	30 June 2012 \$	30 June 2011 \$
<i>Audit and other assurance services</i>		
Audit and review of financial reports	1,100,000	1,091,000
Other assurance services	189,300	69,887
Total remuneration for PricewaterhouseCoopers	1,289,300	1,160,887
Total auditors' remuneration	1,289,300	1,160,887

23 Contingencies

Contingent liabilities

The Group and parent entity had contingent liabilities at 30 June 2012 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\$182,857,326 has 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, an asset has not been recognised.

24 Intra-group Guarantees

As at 30 June 2012, 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 2012 \$'000	30 June 2011 \$'000
Property, plant and equipment payable:		
Within one year	3,457	14,214
Later than one year but not later than five years	-	2,414
	3,457	16,628
Operating commitments payable:		
Within one year	38,590	60,631
Later than one year but not later than five years	75,912	95,326
Later than five years	312,573	347,776
	427,075	503,733
Intangible assets payable:		
Within one year	155,361	283,597
Later than one year but not later than five years	14,213	109,442
	169,574	393,039

Lease commitments

	30 June 2012 \$'000	30 June 2011 \$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	4,059	3,973
Later than one year but not later than five years	12,812	15,247
Later than five years	496	1,874
	17,367	21,094
<i>Sub-lease payments</i>		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	428	812
	428	812

25 Commitments (continued)

Lease commitments (continued)

Promissory Notes

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

Concession Notes

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

Other operating leases

The Group leases various offices under non-cancellable operating leases expiring within 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 2012 \$	30 June 2011 \$
<i>Revenue from services</i>		
Operating electronic tolling system for Westlink M7	8,451,418	11,768,736
Business development fees	19,550,291	16,254,993
	28,001,709	28,023,729
 <i>Interest earned</i>		
Term Loan Notes	91,328,563	84,565,108
M5 debt notes	11,952	-
	91,340,515	84,565,108

26 Related party transactions (continued)

Loans to/from associates

	30 June 2012 \$	30 June 2011 \$
<i>Term loan notes</i>		
Beginning of the year	724,225,296	678,044,167
Net interest capitalised	58,441,751	46,181,129
End of the year	<u>782,667,047</u>	<u>724,225,296</u>
<i>M5 debt notes</i>		
Beginning of the year	-	-
Amount paid	8,724,600	-
End of the year	<u>8,724,600</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 RMS and Westlink Motorway Limited.

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

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

M5 debt notes

The M5 debt notes are Transurban's debt funding contribution to the M5 West Widening Project. The fixed maturity date of the notes is 10 years after financial close of the Project. The interest rate charged on these notes is fixed at 5.0 per cent for the first three years following financial close.

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	
			2012 %	2011 %
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	Australia *	Ordinary	100	100
Transurban DRIVE Management LLC	USA	Ordinary	100	100

27 Subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2012 %	2011 %
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	75.1	75.1
Airport Motorway Holdings Pty Limited	Australia	Ordinary	75.1	75.1
Airport Motorway Limited	Australia	Ordinary	75.1	75.1
Airport Motorway Construction Company Pty Limited	Australia	Ordinary	75.1	75.1
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	100
LCT-MRE No.1 Pty Limited	Australia	Ordinary	100	100

* Transurban International Holdings Limited changed registered domicile from Bermuda to Australia on 5 January 2012.

28 Parent entity financial information

Summary financial information

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

	30 June 2012 \$'000	30 June 2011 \$'000
Balance sheet		
Current assets	350,222	187,020
Non-current assets	2,359,945	2,374,953
Total assets	2,710,167	2,561,973
Current liabilities	154,357	149,308
Non-current liabilities	1,906,487	1,754,621
Total liabilities	2,060,844	1,903,929
Net assets	649,323	658,044
<i>Shareholders' equity</i>		
Contributed equity	607,190	583,896
Reserves	2,152	5,026
Retained earnings	39,981	69,122
	649,323	658,044
Profit / (loss) for the year	72,591	(65,774)
Total comprehensive profit / (loss)	72,591	(65,774)

Guarantees entered into by the parent entity

There are cross guarantees given by Transurban Holdings Limited, Transurban Limited, Tollaust Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, 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, Tollaustr 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, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the years ended 30 June 2012 and 30 June 2011 for the parties to the deed of the cross guarantee.

	30 June 2012 \$'000	30 June 2011 \$'000
<i>Income statement</i>		
Revenue	115,999	98,352
Operating costs	(101,266)	(110,842)
Depreciation and amortisation expense	(15,223)	(5,808)
Net finance costs	(114,248)	(79,182)
Loss before income tax	(114,738)	(97,480)
Income tax benefit	34,660	37,955
Loss for the year	(80,078)	(59,525)
<i>Statement of comprehensive income</i>		
Profit (loss) for the year	(80,078)	(59,525)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(80,078)	(59,525)
<i>Summary of movements in consolidated retained earnings</i>		
Retained earnings at the beginning of the financial year	(138,264)	(78,743)
Profit (loss) for the year	(80,078)	(59,525)
Transfer of non-vesting portion of LTI from share-based payment reserve	109	4
Dividends provided for or paid	(101,842)	-
Retained earnings at the end of the financial year	(320,075)	(138,264)

29 Deed of cross guarantee (continued)

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2012 and 30 June 2011 for the parties to the deed of cross guarantee.

	30 June 2012 \$'000	30 June 2011 \$'000
Current assets		
Cash and cash equivalents	33,421	94,770
Trade and other receivables	387,894	339,137
Total current assets	421,315	433,907
Non-current assets		
Other financial assets	1,520,031	1,541,621
Property, plant and equipment	177,176	173,778
Deferred tax assets	536,066	468,981
Total non-current assets	2,233,273	2,184,380
Total assets	2,654,588	2,618,287
Current liabilities		
Trade and other payables	1,540,926	1,519,914
Provisions	63,815	16,111
Total current liabilities	1,604,741	1,536,025
Non-current liabilities		
Payables	719,961	593,115
Deferred tax liabilities	33,032	36,263
Provisions	7,586	2,226
Total non-current liabilities	760,579	631,604
Total liabilities	2,365,320	2,167,629
Net assets	289,268	450,658
Equity		
Contributed equity	607,190	583,896
Reserves	2,153	5,026
Retained earnings	(320,075)	(138,264)
Total equity	289,268	450,658

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 reporting period

On 1 August 2012, the Group announced that financial close had been reached with the Commonwealth of Virginia to build and operate the 95 Express Lanes in northern Virginia, USA.

The Group also announced that the 95 Express Lanes investment will be the final new toll road project undertaken by Transurban's co-investment vehicle, DRIVE. Transurban will continue to manage the assets owned by DRIVE.

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.

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

	30 June 2012 \$'000	30 June 2011 \$'000
Profit for the year	58,558	118,158
Depreciation and amortisation	301,641	289,435
Non-cash share-based payments expense	3,131	4,581
Non-cash finance costs	40,658	44,966
Share of net losses of equity accounted investments	137,946	20,198
Change in operating assets and liabilities:		
Increase in concession and promissory note liability	1,562	7,664
(Decrease) increase in operating creditors and accruals	(138,147)	15,308
Decrease (increase) decrease in debtors	143,732	(13,815)
Capitalised held to maturity investment interest	(60,192)	(46,181)
Increase (decrease) in other operating provisions	836	(5,261)
Increase (Decrease) in maintenance provision	1,102	(10,385)
Movement in deferred taxes	(112,388)	(45,904)
(Decrease) in provision for income taxes payable	(5,196)	(4,073)
Net cash inflow (outflow) from operating activities	373,243	374,691

32 Non-cash investing and financing activities

	30 June 2012 \$'000	30 June 2011 \$'000
Distributions satisfied by the issue of stapled securities under the distribution reinvestment plan	76,001	124,557
	76,001	124,557

33 Earnings per stapled security

Basic earnings per share

	30 June 2012 Cents	30 June 2011 Cents
Earnings per security attributable to the ordinary equity holders of the stapled group	<u>3.8</u>	<u>7.8</u>
	3.8	7.8

Diluted earnings per share

	30 June 2012 Cents	30 June 2011 Cents
Earnings per security attributable to the ordinary equity holders of the stapled group	<u>3.8</u>	<u>7.8</u>
	3.8	7.8

Reconciliation of earnings used in calculating earnings per security

	30 June 2012 \$'000	30 June 2011 \$'000
<i>Basic and diluted earnings per security</i>		
Profit for the year	58,558	118,158
Profit attributable to non-controlling interests	<u>(3,653)</u>	<u>(5,691)</u>
Profit attributable to ordinary equity holders of the stapled group used in calculating earnings per security	<u>54,905</u>	<u>112,467</u>

Weighted average number of securities used as denominator

	30 June 2012 Number	30 June 2011 Number
Weighted average number of securities used as the denominator in calculating basic and diluted earnings per security	1,452,932,838	1,437,820,619

33 Earnings per stapled security (continued)

Weighted average number of securities used as denominator (continued)

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 2012 \$	30 June 2011 \$
Net tangible asset backing per stapled security*	2.21	2.59

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

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 (Free Cash Flow (FCF) (from 1 July 2011) or earnings before interest, tax, depreciation and amortisation (EBITDA) measure (pre 1 July 2011) and relative total security holder return (TSR) apply to Performance Awards, each representing 50 per cent of the award. The use of dual measures balances the need to both improve the underlying performance of the business over the long term as well as appropriate returns relative to the market.

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

35 Share-based payments (continued)

Performance Awards Plan (continued)

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	EBITDA	FCF					
2012									
1 Nov 2008	1 Nov 2011	3.30	4.27	N/A	1,260,113	-	(1,193,516)	(66,597)	-
11 Dec 2009	11 Dec 2012	3.33	4.97	N/A	1,776,583	-	-	(150,589)	1,625,994
1 Nov 2010	1 Nov 2013	3.23	4.62	N/A	1,401,575	-	-	(200,498)	1,201,077
23 Dec 2010	1 Nov 2013	3.33	4.97	N/A	684,683	-	-	-	684,683
26 Sep 2011	30 Jun 2014	3.37	N/A	4.63	-	837,990	-	(176,058)	661,932
11 Nov 2011	30 Jun 2014	3.27	N/A	4.81	-	715,024	-	-	715,024
Total					5,122,954	1,553,014	(1,193,516)	(593,742)	4,888,710
Weighted average exercise price					\$4.00	\$4.02	\$3.79	\$3.99	\$4.06

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	EBITDA	FCF					
2011									
1 Nov 2008	1 Nov 2011	3.30	4.27	N/A	1,277,630	-	-	(17,517)	1,260,113
11 Dec 2009	11 Dec 2012	3.33	4.97	N/A	1,990,913	-	-	(214,330)	1,776,583
1 Nov 2010	1 Nov 2013	3.23	4.62	N/A	-	1,658,614	-	(257,039)	1,401,575
23 Dec 2010	1 Nov 2013	3.33	4.97	N/A	-	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

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	Vesting / 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
2012							
1 Nov 2008	1 Nov 2011	\$4.27	433,722	-	(433,722)	-	-
Total			433,722	-	(433,722)	-	-
Weighted average exercise price			\$4.27	\$-	\$4.27	\$-	\$-

35 Share-based payments (continued)

Executive Equity Plan (continued)

Grant date	Vesting / 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			548,650	-	(72,334)	(42,594)	433,722
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% 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.

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	EBITDA					
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	331,594	-	(143,060)	(188,534)	-
Total				331,594	-	(143,060)	(188,534)	-
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 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	DRIVE mgt fee					
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	-	(107,007)	(140,554)	-
Total				247,561	-	(107,007)	(140,554)	-
Weighted average exercise price				\$4.26	\$-	\$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 a geometric Brownian motion process, as used in the Black-Scholes framework) to model Transurban's future security price and TSR performance against the comparator group performance at vesting date. The valuation model takes into account the term of the award, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the award.

The Free Cash component of performance awards has been valued using the Black-Scholes framework. The model valuation takes into account the term of the award, the security price at grant date, 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 2011 to 30 June 2012, the cost of company matches was \$114,459 (2011: \$89,885) for the Investment Tax Exempt Plan and \$391,708 (2011: \$304,375) for the Investment Tax Deferred Plan.

The third element under the Plan is the Incentive Plan. Subject to Board approval and the performance of the Group, eligible employees may receive a certain number of Transurban securities at no cost to them. In February 2012, each participant was allocated 100 stapled securities at a value of \$5.67 per security. Stapled securities provided under the Plan were acquired on the open market. Eligible US based participants received an equivalent cash award.

	30 June 2012 Number	30 June 2011 Number
Shares purchased on the market under the plan and provided to participating employees	42,200	42,200

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 \$3.1 million (2011: \$4.6 million).

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:

Executive Directors

Christopher Lynch (resigned 16 July 2012) (THL, TIML and TIL)
 Scott Charlton (appointed 16 July 2012) (THL, TIML and TIL)

Non-executive Directors

Lindsay Maxsted (Chairman of THL, TIML and TIL)
 Neil Chatfield (THL and TIML, and TIL from 5 January 2012)
 Geoffrey Cosgriff (resigned 6 December 2011) (THL and TIML)
 Jeremy Davis (resigned 6 December 2011) (THL and TIML)
 Robert Edgar (THL and TIML, and TIL from 5 January 2012)
 Samantha Mostyn (THL and TIML, and TIL from 5 January 2012)
 Robert Officer (THL and TIML, and TIL from 5 January 2012)
 Christine O'Reilly (appointed 12 April 2012) (THL, TIML and TIL)
 Rodney Slater (THL and TIML, and TIL from 5 January 2012)
 Ian Smith (appointed 1 January 2012) (THL and TIML, and TIL from 5 January 2012)
 Jennifer Eve (resigned 5 January 2012) (TIL)
 James Keyes (resigned 5 January 2012) (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:

K Daley	President, International Development
A Head	Group General Manager, New South Wales
S Hogg *	Chief Financial Officer
T Honan *	Chief Financial Officer
M Kulper	President, Transurban North America
E Mildwater	Group General Manager, Victoria

(*) - On 2 May 2012, Tom Honan resigned as Chief Financial Officer, and Samantha Hogg was appointed as Chief Financial Officer (previously she was Group General Manager, Corporate Services).

Key management personnel compensation

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

	30 June 2012 \$	30 June 2011 \$
Short-term employee benefits	12,452,823	14,169,807
Deferred STIs	489,289	-
Post-employment benefits	942,256	471,700
Long-term benefits	115,725	87,049
Termination benefits	-	1,360,993
Share-based payments	4,870,066	4,135,431
	18,870,159	20,224,980

36 Key management personnel disclosures (continued)

Key management personnel compensation (continued)

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.

Performance Awards Plan

2012	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	1,785,615	715,024	(458,156)	(25,565)	2,016,918	-
Other key management personnel of the Group						
K Daley	223,297	128,294	(63,602)	(3,549)	284,440	-
A Head	181,525	107,766	(44,054)	(2,458)	242,779	-
S Hogg	136,569	101,320	(22,027)	(1,229)	214,633	-
T Honan	545,513	171,058	(220,267)	(496,304)	-	-
M Kulper	401,033	159,286	(137,736)	(7,686)	414,897	-
E Mildwater	186,359	107,766	(27,534)	(1,536)	265,055	-
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 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	-

36 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Stapled security holdings

The numbers of Stapled Securities held during the financial year by each Director of THL and other key management personnel of the Group, including their personally-related parties, are set out below.

2012	Balance at start of the year	Other changes during the year	Balance at end of the year
<i>Directors of the Group</i>			
L Maxsted	30,000	-	30,000
N Chatfield	20,910	10,000	30,910
G Cosgriff *	152,236	(152,236)	-
J Davis *	158,188	(158,188)	-
R Edgar	18,627	5,106	23,733
S Mostyn	-	10,300	10,300
R Officer	19,089	1,026	20,115
C O'Reilly	-	-	-
R Slater	-	-	-
I Smith	-	70,000	70,000
J Eve	-	-	-
J Keyes	-	-	-
C Lynch	255,401	458,162	713,563
S Charlton	-	-	-
<i>Other key management personnel of the Group</i>			
K Daley	384,678	-	384,678
A Head	21,112	(18,071)	3,041
S Hogg	15,616	(14,063)	1,553
T Honan *	94,820	(94,820)	-
M Kulper	103,944	(23,944)	80,000
E Mildwater	27,098	28,968	56,066

* These individuals are not Key Management Personnel at 30 June 2012, therefore their closing balance has been reduced to zero through "other changes during the year" in the table above.

36 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Stapled security holdings (continued)
2011

	Balance at start of the year	Other changes during the year	Balance at end of the year
Directors of the Group			
L Maxsted	12,000	18,000	30,000
D Ryan	66,486	(66,486)	-
N Chatfield	20,910	-	20,910
G Cosgriff	144,423	7,813	152,236
J Davis	158,188	-	158,188
R Edgar	11,836	6,791	18,627
S Mostyn	-	-	-
R Officer	19,089	-	19,089
R Slater	-	-	-
J Eve	-	-	-
J 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

Executive Equity Plan (EEP)

2012	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	79,647	-	(79,647)	-	-	-
Other key management personnel of the Group						
K Daley	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)	-	-	-

36 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Executive Equity Plan (EEP) (continued)

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 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	-

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)	-	-

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. This relationship is based on normal commercial terms.

Mr Neil Chatfield is a Non-executive Director of Seek Limited 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 Australia Holdings Limited. Transurban uses air travel services provided by Virgin Australia. This relationship is 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 amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Group is subject to income taxes in Australia and USA. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. However, the utilisation of tax losses also depends on the ability of the Group to satisfy certain tests at the time the losses are recouped. In the USA tax losses generally expire after a 20 year period. Management has reviewed the potential future taxable profits and has therefore recognised deferred tax assets in relation to tax losses.

Useful lives of plant and equipment

The Group determines the estimated useful lives and related depreciation for its plant and equipment. This estimate is based on expected useful lives of technology. It could change significantly as a result of technical innovations. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or writedown 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 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.

38 Financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

The Group's exposure to foreign currency risk at the reporting date, denominated in the currency in which the rise arises, was as follows:

	30 June 2012		30 June 2011	
	USD \$'000	CAD \$'000	USD \$'000	CAD \$'000
Cash and cash equivalents	9,371	6	7,068	-
Net investment in foreign operation	245,226	-	209,083	-
Borrowings	(1,156,439)	(250,000)	(1,124,261)	-
Cross-currency interest rate swaps	933,406	250,000	933,406	-
Trade creditors	(6,123)	-	(5,115)	-
Net exposure	25,441	6	20,181	-

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 \$199,000 lower (2011: \$108,000 lower) or \$243,000 higher (2011: \$131,000 higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

The Group's post-tax profit is more sensitive to movements in the Australian dollar/US dollar exchange rate in the current year due to an increase in US dollar cash holdings.

Had the Australian dollar strengthened by 10 cents against the U.S. dollar with all other variables held constant, the Group's equity would have been \$26,801,000 lower (2011: \$24,286,000 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 \$35,819,000 higher (2011: \$29,009,000 higher). The Group revalues its U.S. dollar borrowings each period using market spot rates and, where a qualifying hedge is in place, defers these movements in equity. The volatility in equity is caused mainly by fair value movements of the cross currency interest rate swaps, which are affected by changes in forward Australian dollar/U.S. dollar foreign exchange rates.

Based on the financial instruments held at 30 June 2012, had the Australian dollar strengthened/weakened by 10 cents against the Canadian dollar with all other variables held constant, the Group's post-tax profit for the year would have been unchanged, as a result of foreign exchange gains/losses on translation of Canadian dollar denominated financial instruments as detailed in the above table.

Had the Australian dollar strengthened by 10 cents against the Canadian dollar with all other variables held constant, the Group's equity would have been \$3,734,000 lower. Had the Australian dollar weakened by 10 cents against the Canadian dollar with all other variables held constant, the Group's equity would have been \$5,158,000 higher.

The Group revalues its foreign currency denominated borrowings each period using market spot rates and, where a qualifying hedge is in place, defers these movements in equity. The volatility in equity is caused mainly by fair value movements of the cross currency interest rate swaps, which are affected by changes in forward Australian dollar/foreign currency exchange rates.

Price risk

The Group is not exposed to price risk.

38 Financial risk management (continued)

Market risk (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 2012, 97 per cent (2011: 98 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 2012		30 June 2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	4.2%	(318,148)	5.3%	(411,880)
Floating rate borrowings	5.0%	2,756,394	6.2%	2,680,609
Interest rate swaps (notional principal amount)	3.9%	(2,680,500)	5.0%	(2,619,400)
Net exposure to cash flow interest rate risk		<u>(242,254)</u>		<u>(350,671)</u>

An analysis by maturities is provided in Liquidity risk below.

Sensitivity

At 30 June 2012, 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 \$2,423,000 higher/lower (2011: \$3,507,000 higher/lower). Profit is less sensitive to movements in interest rates in 2012 than 2011, due mainly to a 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.

38 Financial risk management (continued)

Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. Treasury assesses liquidity over the short term (up to 12 months) and medium term (one to five years) by maintaining accurate forecasts of operating expenses, committed capital expenditure and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

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

Financing arrangements

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

	30 June 2012 \$'000	30 June 2011 \$'000
Floating rate		
- Expiring within one year	130,000	-
- Expiring beyond one year	268,212	418,002
	398,212	418,002

The facilities are committed for the term of the facility and cannot be withdrawn by the lenders without notice.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

38 Financial risk management (continued)

Liquidity risk (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 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	309,898	-	-	-	-	364,402	674,300	361,587
Variable rate	123,679	431,043	1,088,528	359,111	449,192	750,145	3,201,698	2,756,393
Fixed rate	100,689	352,609	219,581	409,350	195,455	1,491,626	2,769,310	1,733,004
Total non-derivatives	534,266	783,652	1,308,109	768,461	644,647	2,606,173	6,645,308	4,850,984
Derivatives								
Net settled (interest rate swaps)	82,976	80,993	60,146	39,382	28,586	20,800	312,883	280,552
Net settled (cross-currency interest rate swaps/fx forwards)	19,742	16,817	47,602	39,932	41,806	94,703	260,602	224,642
Total derivatives	102,718	97,810	107,748	79,314	70,392	115,503	573,485	505,194

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	216,453	93,118	340,347	212,108	397,707	1,372,316	2,632,049	1,558,077
Total non-derivatives	864,279	829,500	772,180	1,089,392	765,075	2,444,647	6,765,073	4,703,607
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)	19,935	27,172	28,275	57,068	44,475	198,418	375,343	282,107
Total derivatives	51,207	51,874	40,588	61,720	41,975	189,743	437,107	335,839

Fair value measurements

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

38 Financial risk management (continued)

Fair value measurements (continued)

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

The Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2012				
Assets				
Derivatives used for hedging	-	137	-	137
Total assets	-	137	-	137
Liabilities				
Derivatives used for hedging	-	505,331	-	505,331
Total liabilities	-	505,331	-	505,331
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

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.

**Transurban Holdings Limited
Directors' declaration
30 June 2012**

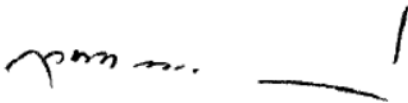
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 51 to 136 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 2012 and of its performance for the year ended on that date, and
- (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, 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 resolutions of the Directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited and Transurban International Limited.



Lindsay Maxsted
Director



Scott Charlton
Director

Melbourne
7 August 2012



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 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban Holdings Limited Group (the Group). The Group comprises the aggregation of Transurban Holdings Limited (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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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Independence

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

Auditor's opinion

In our opinion:

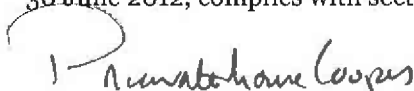
- (a) the financial report of Transurban Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

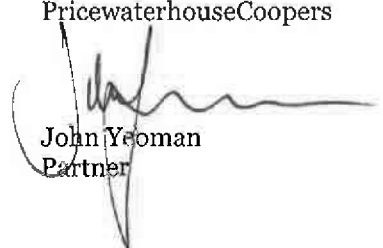
Report on the Remuneration Report

We have audited the remuneration report included in pages 22 to 47 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


John Yeoman
Partner

Melbourne
7 August 2012

Transurban Holding Trust and Controlled Entities

ARSN 098 807 419

Annual report for the year ended 30 June 2012

Transurban Holding Trust ARSN 098 807 419
Annual report - 30 June 2012

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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 controls (collectively "the Group"), for the year ended 30 June 2012.

The Trust forms part of the triple staple that is Transurban. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in the Trust. None of the components of the Stapled Security can be traded separately.

Responsible entity

The Trust is registered as a managed investment scheme under Chapter 5C of the *Corporations Act 2001* and, as a result, requires a responsible entity. The Company is the responsible entity of the Trust and is responsible for performing all functions that are required under the *Corporations Act 2001* of a responsible entity.

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 Maxsted

Neil Chatfield

Geoffrey Cosgriff (resigned 6 December 2011)

Jeremy Davis (resigned 6 December 2011)

Robert Edgar

Samantha Mostyn

Robert Officer

Christine O'Reilly (appointed 12 April 2012)

Rodney Slater

Ian Smith (appointed 1 January 2012)

Executive Directors

Christopher Lynch (resigned 16 July 2012)

Scott Charlton (appointed 16 July 2012)

Results

The consolidated net profit for the Group was \$350,600,000 (2011: profit of \$318,384,000). The profit attributable to ordinary unit holders of Transurban Holding Trust was \$337,662,000 (2011: profit of \$306,024,000).

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.

Distributions - Transurban Holding Trust

Distributions paid to members during the financial year were as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Distributions proposed		
Final distribution payable and recognised as a liability: 11.5 cents (2011: 14.0 cents) per fully paid Stapled Security payable 14 August 2012	<u>167,707</u>	202,096
	167,707	202,096
Distributions paid during the year		
Final distribution for 2011 financial year of 14.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 11 August 2011	202,096	169,760
Interim distribution for 2012 financial year of 11.0 cents (2011: 13.0 cents) per fully paid Stapled Security paid 14 February 2012	<u>159,654</u>	187,367
Total distributions paid during the year	361,750	357,127
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2012 and 30 June 2011		
Paid in cash	294,958	232,577
Satisfied by issue of Stapled Securities	66,791	124,557
Funds available for future distribution reinvestment plans	1	(7)
	<u>361,750</u>	<u>357,127</u>

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

Review of operations

Total revenue for the Group increased 23.1 per cent to \$507.7 million. The profit for the year was \$350.6 million.

Hills M2 (Sydney) upgrade

Toll revenue for the year ended 30 June 2012 for the Hills M2 decreased by 3.1 per cent to \$141.2 million. As expected average daily trips decreased by 5.1 per cent, reflecting the construction impact of the Hills M2 Upgrade.

As at 30 June 2012 the upgrade was over 70 per cent complete with the first stage, the Windsor Road ramps, opened for traffic on the 25 July 2012. The project completion is scheduled for mid 2013 and remains consistent with Transurban's expectations.

On 30 January 2012, Hills M2 and M1 Eastern Distributor successfully implemented full electronic tolling with minimal impact on traffic. The move to cashless tolling will result in improved travel times for customers across the corridor and operational efficiencies.

Other corporate activities

Chief Executive Officer (CEO)

On 30 January, Transurban announced Mr Chris Lynch's intention to resign as CEO and as a Director effective from July 2012 after a four year tenure. After a comprehensive Board selection process, Transurban announced on 3 April 2012 the appointment of Mr Scott Charlton as new CEO effective from July 2012.

Financing activities

Transurban continued to have success in financing activities in the year ended 30 June 2012. In July 2011, \$520.0 million of non-recourse project on the M1 Eastern Distributor was refinanced.

Review of operations (continued)

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Matters subsequent to the end of the financial year

At the date of this report the Directors are not aware of any other circumstances that have arisen since 30 June 2012 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.

	30 June 2012 Number '000	30 June 2011 Number '000
Interests in the Group issued during the financial year		
Balance at 1 July	1,443,193	1,414,295
Units issued during the year	15,128	28,898
Balance at 30 June	<u>1,458,321</u>	<u>1,443,193</u>

Value of assets

	2012 \$'000	2011 \$'000
Value of Group assets at 30 June	10,660,841	10,425,042

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 4,888,710 units of the Trust under share based payment schemes. 1,553,014 units were granted in the current year. 1,627,238 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 as follows:

	Number of stapled securities
<i>Non-executive Directors</i>	
Lindsay Maxsted	30,000
Neil Chatfield	30,910
Geoffrey Cosgriff (resigned 6 December 2011)	-
Jeremy Davis AM (resigned 6 December 2011)	-
Robert Edgar	23,733
Samantha Mostyn	10,300
Robert Officer	20,115
Christine O'Reilly (appointed 12 April 2012)	-
Rodney Slater	-
Ian Smith (appointed 1 January 2012)	70,000
<i>Executive Directors</i>	
Christopher Lynch (resigned 16 July 2012)	713,563
Scott Charlton (appointed 16 July 2012)	-

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 146.

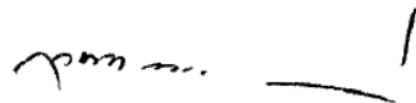
Rounding of amounts

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 Maxsted
Director



Scott Charlton
Director

Melbourne
7 August 2012




Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holding Trust for the year ended 30 June 2012, 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
7 August 2012

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

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Transurban Holding Trust ARSN 098 807 419

Annual report - 30 June 2012

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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 7 August 2012. 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 2012

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Revenue	4	484,530	412,341
Other income	5	25,333	24,115
Administration costs		(4,155)	(3,949)
Promissory notes		(1,476)	(1,280)
Construction costs		(224,296)	(160,751)
		<u>(229,927)</u>	<u>(165,980)</u>
Profit before depreciation and amortisation, net finance costs, equity accounted investments and income taxes		<u>279,936</u>	270,476
Depreciation and amortisation expense	6	(108,604)	(106,745)
Finance income		520,620	494,421
Finance costs		(338,778)	(337,062)
Net finance income	7	<u>181,842</u>	157,359
Share of net profits (losses) of equity accounted investments	12	<u>-</u>	<u>-</u>
Profit before income tax		353,174	321,090
Income tax expense	8	(2,574)	(2,706)
Profit for the year		<u>350,600</u>	<u>318,384</u>
Profit is attributable to:			
Owners of Transurban Holding Trust		337,662	306,024
Non-controlling interests		12,938	12,360
		<u>350,600</u>	<u>318,384</u>
		Cents	Cents
Earnings per unit for profit attributable to the ordinary unit holders:			
Basic earnings per unit	34	23.2	21.3
Diluted earnings per unit	34	23.2	21.3

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 2012

	30 June 2012 \$'000	30 June 2011 \$'000
Profit for the year	350,600	318,384
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	<u>(71,286)</u>	<u>(4,263)</u>
Other comprehensive income for the year net of tax	(71,286)	(4,263)
Total comprehensive income for the year	<u>279,314</u>	<u>314,121</u>
Total comprehensive income for the year is attributable to:		
Owners of Transurban Holding Trust	273,473	301,362
Non-controlling interest	<u>5,841</u>	<u>12,759</u>
	<u>279,314</u>	<u>314,121</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 2012

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	3,545	11,036
Trade and other receivables	10	248,970	212,642
Derivative financial instruments	14	-	913
Total current assets		252,515	224,591
Non-current assets			
Receivables	11	6,398,365	6,364,880
Term loan notes	13	782,667	724,225
Derivative financial instruments	14	70	750
Deferred tax assets	15	2,700	1,764
Intangible assets	16	3,224,524	3,108,832
Total non-current assets		10,408,326	10,200,451
Total assets		10,660,841	10,425,042
LIABILITIES			
Current liabilities			
Trade and other payables	17	224,838	192,540
Derivative financial instruments	14	76	754
Current tax liabilities		1,784	235
Provisions	19	195,821	231,493
Other liabilities	20	20,549	33,287
Total current liabilities		443,068	458,309
Non-current liabilities			
Borrowings	18	4,710,361	4,522,642
Derivative financial instruments	14	85,039	14,666
Other liabilities	20	20,326	19,720
Total non-current liabilities		4,815,726	4,557,028
Total liabilities		5,258,794	5,015,337
Net assets		5,402,047	5,409,705
UNIT HOLDERS' FUNDS			
Issued units	21	7,240,721	7,188,221
Reserves	22	(70,142)	(6,839)
Accumulated losses	22	(1,804,650)	(1,814,990)
Non-controlling interests		36,118	43,313
Total unit holders' funds		5,402,047	5,409,705

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 2012

	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 2010		7,103,500	(3,985)	(1,731,625)	42,971	5,410,861
Comprehensive income						
Profit for the year		-	-	306,024	12,360	318,384
Other comprehensive income		-	(4,662)	-	399	(4,263)
Total comprehensive income		<u>-</u>	<u>(4,662)</u>	<u>306,024</u>	<u>12,759</u>	<u>314,121</u>
Transactions with owners in their capacity as owners:						
Treasury units	21	68	-	-	-	68
Distribution reinvestment plan	21	84,691	-	-	-	84,691
Changes in value of share-based payments reserve	22	(38)	1,808	74	-	1,844
Distributions provided for or paid	22	-	-	(389,463)	-	(389,463)
Distributions paid to non-controlling interests		-	-	-	(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>
Balance at 1 July 2011		7,188,221	(6,839)	(1,814,990)	43,313	5,409,705
Comprehensive income						
Profit (loss) for the year		-	-	337,662	12,938	350,600
Other comprehensive income		-	(64,189)	-	(7,097)	(71,286)
Total comprehensive income		<u>-</u>	<u>(64,189)</u>	<u>337,662</u>	<u>5,841</u>	<u>279,314</u>
Transactions with owners in their capacity as owners:						
Treasury units	21	413	-	-	-	413
Distribution reinvestment plan	21	51,682	-	-	-	51,682
Changes in value of share-based payments reserve	22	405	886	44	-	1,335
Distributions provided for or paid	22	-	-	(327,366)	-	(327,366)
Distributions paid to non-controlling interests		-	-	-	(13,036)	(13,036)
		<u>52,500</u>	<u>886</u>	<u>(327,322)</u>	<u>(13,036)</u>	<u>(286,972)</u>
Balance at 30 June 2012		<u>7,240,721</u>	<u>(70,142)</u>	<u>(1,804,650)</u>	<u>36,118</u>	<u>5,402,047</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 2012

	30 June	30 June
	2012	2011
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	269,623	239,395
Payments to suppliers (inclusive of GST)	(29,242)	(6,857)
Interest received	129,982	122,005
Interest paid	(292,292)	(275,088)
Income taxes paid	(3,094)	(4,654)
Net cash inflow from operating activities	74,977	74,801
32		
Cash flows from investing activities		
Payments for intangible assets	(217,546)	(480,741)
Net cash outflow from investing activities	(217,546)	(480,741)
Cash flows from financing activities		
Proceeds from sale of treasury units, net of costs	-	67
Proceeds from borrowings, net of costs	630,715	775,803
Repayment of borrowings	(515,000)	(465,000)
Loans to/from related parties	(335,969)	(240,547)
Repayment of loans to/from related parties	664,608	585,786
Distributions paid to Transurban Group's security holders	(294,958)	(232,577)
Distributions paid to non-controlling interests in subsidiaries	(14,318)	(10,733)
Net cash inflow from financing activities	135,078	412,799
23		
Net (decrease) increase in cash and cash equivalents	(7,491)	6,859
Cash and cash equivalents at the beginning of the financial year	11,036	4,177
Cash and cash equivalents at end of the year	3,545	11,036
9		

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

Contents of the notes to the consolidated financial statements

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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.

The financial report includes the consolidated entity consisting of 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 \$190.6 million as at 30 June 2012. 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 2012 the Transurban Group has available a total of \$398.2 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 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.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries (continued)

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.

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 operating 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 for 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.
- 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.

1 Summary of significant accounting policies (continued)

(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.

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

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

(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.

1 Summary of significant accounting policies (continued)

(g) Business combinations (continued)

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

(i) Cash and cash equivalents

For statement of 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 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.

(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) (note 10) and in receivables (non-current) (note 11) in the balance sheet.

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

Loans and receivables (continued)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are due for settlement no more than 30 days from 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 or loss as gains and losses from investment securities.

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in 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.

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.

1 Summary of significant accounting policies (continued)

(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 shareholder's 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 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 hedge accounting are recognised immediately in the income statement.

(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. For details of concession agreement dates refer to note 16.

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

1 Summary of significant accounting policies (continued)

(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 sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Borrowing costs

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.

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.

(q) Contributed equity

Units in the Trust are classified as equity.

1 Summary of significant accounting policies (continued)

(q) Contributed equity (continued)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, 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 2012 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 January 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 Trust does not have any such liabilities. The Group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

- (ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

1 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

- (ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 112 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Management are currently assessing the impact but do not believe it will be significant.

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date.

- (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 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.

- (iv) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date.

- (v) AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012.

1 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

(vi) *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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.

Transurban Holding Trust
Notes to the consolidated financial statements
30 June 2012
(continued)

4 Revenue

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Rental income	4(a)	260,060	251,385
Construction revenue	4(b)	224,296	160,751
Other revenue		174	205
Total revenue		484,530	412,341

(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.

5 Other income

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Concession notes	5(a)	25,333	24,115
		25,333	24,115

(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.

6 Expenses

30 June 2012 \$'000	30 June 2011 \$'000
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Profit before income tax includes the following specific expenses:

Depreciation and amortisation expense - operating cost	108,604	106,745
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7 Net finance income

	30 June 2012 \$'000	30 June 2011 \$'000
Notes		
Finance income		
Interest income from related parties	462,093	443,674
Other interest income	494	488
Net foreign exchange gains	4,272	-
Net movement in promissory note payable	1,052	-
Re-measurement of concession notes receivable	52,709	50,259
Total finance income	<u>520,620</u>	<u>494,421</u>
Finance costs		
Interest and finance charges paid/payable	(338,778)	(327,069)
Net foreign exchange losses	-	(8,385)
Net movement in promissory note payable	-	(1,608)
Total finance costs	<u>(338,778)</u>	<u>(337,062)</u>
Net finance income	<u>181,842</u>	<u>157,359</u>

(a) 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.

8 Income tax expense

Income tax expense

	30 June 2012 \$'000	30 June 2011 \$'000
Current tax	3,534	3,480
Deferred tax	(936)	(776)
(Over)/Under provided in prior years	(24)	2
	2,574	2,706
Deferred income tax (revenue) included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 15)	(1,042)	(860)
(Decrease) increase in deferred tax liabilities (note 15)	106	84
	(936)	(776)

Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2012 \$'000	30 June 2011 \$'000
Profit before income tax expense	353,174	321,090
Tax at the Australian tax rate of 30% (2011 - 30%)	105,952	96,327
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Trust income not subject to tax	(103,354)	(93,623)
	2,598	2,704
(Over)/Under provided in prior years	(24)	2
Income tax expense	2,574	2,706

9 Current assets - Cash and cash equivalents

	30 June 2012 \$'000	30 June 2011 \$'000
Cash at bank and in hand	3,545	11,036
	3,545	11,036

All cash balances are interest bearing.

10 Current assets - Trade and other receivables

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Loans to related parties	10(a)	245,699	210,633
Prepayments	10(b)	1,534	1,352
Other receivables		1,737	657
		<u>248,970</u>	<u>212,642</u>

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 2012.

11 Non-current assets - Receivables

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Concession notes	11(a)	632,383	554,341
Loans to related parties	11(b)	5,765,982	5,810,539
		<u>6,398,365</u>	<u>6,364,880</u>

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.

(b) Loans to related parties

Loans to related parties represents amounts advanced to other members of the Transurban Group. There is no allowance for doubtful debts as the counterparties are related parties.

12 Equity accounted investments

	Ownership interest		Carrying amount	
	30 June 2012 %	30 June 2011 %	30 June 2012 \$'000	30 June 2011 \$'000
Westlink M7:				
Westlink Motorway Limited	50	50	-	-
WSO Finance Pty Limited	50	50	-	-
Westlink Motorway Partnership	50	50	-	-
			-	-

Each of the above is a member of the Westlink Motorway Group, established to invest in, construct and operate the Westlink M7 Motorway in Sydney for a period of 34 years until February 2037. All were incorporated in Australia.

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

WSO Finance Pty Limited is the financier of the Motorway.

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

Summarised financial information of equity accounted investments

	Ownership Interest %	Assets \$'000	Group's share of:		
			Liabilities \$'000	Revenues \$'000	Loss \$'000
2012					
Westlink M7	50	726,107	(970,838)	60,350	(22,044)
		726,107	(970,838)	60,350	(22,044)
2011					
Westlink M7	50	702,292	(876,307)	57,316	(26,128)
		702,292	(876,307)	57,316	(26,128)

12 Equity accounted investments (continued)

	30 June 2012 \$'000	30 June 2011 \$'000
Movements in carrying amounts		
Balance 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	126,568	100,440
Unrecognised losses for the year	22,044	26,128
	148,612	126,568

Share of equity accounted investments' expenditure commitments

As at the reporting date, there are no expenditure commitments.

Contingent liabilities of equity accounted investments

As at the reporting date, there are no contingent liabilities.

13 Non-current assets - Term loan notes

	30 June 2012 \$'000	30 June 2011 \$'000
Term loan notes	782,667	724,225
	782,667	724,225

Term Loan Notes (TLN's) represent Transurban's debt funding contribution to the Westlink M7 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 Maritime Services (formerly known as the Roads and Traffic Authority) of New South Wales and Westlink Motorway Limited.

The interest rate charged on these notes is 11.93 per cent and any unpaid interest capitalises into additional notes. During the year ended 30 June 2012 the Group capitalised interest of \$58.4 million (2011: \$46.2 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 2012 \$'000	30 June 2011 \$'000
Current assets		
Interest rate swap contracts - cash flow hedges	-	913
Total current derivative financial instrument assets	-	913
Non-current assets		
Interest rate swap contracts - cash flow hedges	70	750
Total non-current derivative financial instruments	70	750
Total derivative financial instrument assets	70	1,663
Current liabilities		
Interest rate swap contracts - cash flow hedges	76	754
Total current derivative financial instrument liabilities	76	754
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	85,039	14,666
Total non-current derivative financial instrument liabilities	85,039	14,666
Total derivative financial instrument liabilities	85,115	15,420

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group financial risk management policies (refer to note 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 5.3 per cent (2011: 7.2 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 currently cover 99 per cent (2011: 98 per cent) of long term variable debt. The average all-in rate after hedging on the hedged portion of the Group's variable rate borrowings is 7.1 per cent (2011: 7.5 per cent).

15 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2011 \$'000
The balance comprises temporary difference attributable to:						
Current year and prior year losses	4,113	3,072	-	-	4,113	3,072
Receivables	-	-	(1,413)	(1,308)	(1,413)	(1,308)
Tax assets/(liabilities)	4,113	3,072	(1,413)	(1,308)	2,700	1,764
Set off of tax	(1,413)	(1,308)	1,413	1,308	-	-
Net tax assets/(liabilities)	2,700	1,764	-	-	2,700	1,764
Movements:						
Opening balance at 1 July	3,072	2,212	(1,308)	(1,224)	1,764	988
Credited/(charged) to the income statement	1,042	860	(106)	(84)	936	776
Balance at 30 June	4,114	3,072	(1,414)	(1,308)	2,700	1,764
Deferred tax assets/liabilities to be recovered after more than 12 months	4,114	3,072	(1,413)	(1,308)	2,700	1,764
	4,114	3,072	(1,413)	(1,308)	2,700	1,764

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.

16 Non-current assets - Intangible assets

	CityLink \$'000	Hills M2 Motorway \$'000	Lane Cove Tunnel \$'000	Asset under construction \$'000	Total \$'000
At 1 July 2010					
Cost	1,207,442	2,116,141	-	-	3,323,583
Accumulated amortisation	(254,163)	(362,884)	-	-	(617,047)
Net book amount	953,279	1,753,257	-	-	2,706,536
Year ended 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	912,804	1,698,727	336,550	160,751	3,108,832
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	912,804	1,698,727	336,550	160,751	3,108,832
Year ended 30 June 2012					
Opening net book amount	912,804	1,698,727	336,550	160,751	3,108,832
Additions	-	-	-	224,296	224,296
Amortisation charge	(40,475)	(54,945)	(13,184)	-	(108,604)
Closing net book amount	872,329	1,643,782	323,366	385,047	3,224,524
At 30 June 2012					
Cost	1,207,442	2,116,141	348,290	385,047	4,056,920
Accumulated amortisation	(335,113)	(472,359)	(24,924)	-	(832,396)
Net book amount	872,329	1,643,782	323,366	385,047	3,224,524

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.

16 Non-current assets - Intangible assets (continued)

Concession Assets (continued)

Hills M2 concession asset (continued)

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.

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 in 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 (2011: ranging from 8.8 to 11.0 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 (2011: 2.5 per cent) and AWE of 4.0 per cent (2011: 4.0 per cent) have been used.

17 Current liabilities - Trade and other payables

	30 June 2012 \$'000	30 June 2011 \$'000
Trade payables and accruals	24,042	18,613
Related party payables	200,796	173,927
	<u>224,838</u>	<u>192,540</u>

18 Borrowings

	30 June 2012 \$'000	30 June 2011 \$'000
Notes		
Term debt	18(a) 1,412,849	1,286,769
Loans from related parties	18(b) 3,297,512	3,235,873
	<u>4,710,361</u>	<u>4,522,642</u>

18 Borrowings (continued)

(a) Term debt

The term debt facilities are comprised of:

- \$520.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust). The facility has deferred borrowing costs of \$4.4 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 \$6.5 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 \$0.9 million.

The Airport Motorway facility was refinanced in July 2011 and is fully secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets. The facility is a \$520.0 million non-recourse syndicated facility with terms of three years (\$295.0 million) and seven years (\$225.0 million). The current floating interest rate applicable to the facility is 3.5 per cent (2011: 4.9 per cent). These facilities are currently 99 per cent hedged to an all-in rate after hedging of 7.0 per cent.

The Hills M2 facility was refinanced in November 2010 and is fully secured against the respective rights of Hills Motorway Limited and Hills Motorway Trust and their assets. The facility is a non-recourse syndicated facility totaling \$740.0 million. The financing comprised: the refinancing of \$465.0 million of existing debt with terms of four years (\$400.0 million), and six years (\$65.0 million); and a new construction capex facility of \$275.0 million with a term of six years. As at 30 June 2012, \$179.7 million was drawn under the construction capex facility. The total facility is currently 98 per cent hedged with an all-in rate after hedging of 7.1 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 3.6 per cent (2011: 4.9 per cent). The facility is currently 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 2012, the Transurban Group's Security price would need to close below \$2.15 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

Transurban Holding Trust
Notes to the consolidated financial statements
30 June 2012
(continued)

19 Current liabilities - Provisions

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Distribution to security holders	19(a)	167,756	202,146
Distribution to non-controlling interests in subsidiaries	19(a)	28,065	29,347
		<u>195,821</u>	<u>231,493</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:

2012	Distribution to security holders \$'000	Distribution to non-controlling interests in subsidiaries \$'000
Carrying amount at 1 July	202,146	29,347
Provision recognised	327,366	13,036
Amounts paid/utilised during the year	(361,756)	(14,318)
Carrying amount at 30 June	<u>167,756</u>	<u>28,065</u>

20 Other liabilities

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Current			
Unearned income (related parties)	20(a)	<u>20,549</u>	<u>33,287</u>
Non-current			
Promissory notes	20(b)	<u>20,326</u>	<u>19,720</u>
Total other liabilities		<u>40,875</u>	<u>53,007</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 Roads and Maritime Service (RMS). 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 RMS.

Promissory notes are recognised at the present value of expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of the M2 Motorway, the present value of the expected future repayments is determined using a discount rate of 12 per cent (2011: 12 per cent) which recognises their subordinated nature.

The face value of Promissory notes on issue at 30 June 2012 is \$136.9 million (2011: \$126.5 million). The net present value at 30 June 2012 of the redemption payments relating to these Promissory notes is \$20.3 million (2011: \$19.7 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.

Issued units

	30 June 2012 Number '000	30 June 2011 Number '000	30 June 2012 \$'000	30 June 2011 \$'000
Ordinary units fully paid	1,458,321	1,443,193	7,240,721	7,188,221
	1,458,321	1,443,193	7,240,721	7,188,221

Units in trust

The number of units on issue is 1,458,321,154 (2011: 1,443,543,731). The difference of nil (2011: 351,075) 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.

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.

21 Issued units (continued)

Capital risk management (continued)

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

	Notes	Number of units '000	Consolidated \$'000
Opening balance at 1 July 2010		1,414,295	7,103,500
Distribution reinvestment plan	21(a)	28,876	84,691
Purchase, disposal and vesting of treasury securities	21(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		1,443,193	7,188,221
Opening balance at 1 July 2011		1,443,193	7,188,221
Distribution reinvestment plan	21(a)	14,162	51,682
Disposal and vesting of treasury securities	21(b)	351	413
Transfer vesting portion of LTI from share-based payment reserve		615	1,022
Purchase of Performance Awards Plan units		-	(617)
Closing balance at 30 June 2012		1,458,321	7,240,721

(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.

22 Reserves and accumulated losses

Reserves

	30 June 2012 \$'000	30 June 2011 \$'000
Cash flow hedges	(76,190)	(12,001)
Share-based payments	6,048	5,162
	(70,142)	(6,839)

22 Reserves and accumulated losses (continued)

Reserves (continued)

	30 June 2012 \$'000	30 June 2011 \$'000
Movements:		
<i>Cash flow hedges</i>		
Balance 1 July	(12,001)	(7,339)
Revaluation - gross (note 14)	(71,286)	(4,263)
Transfer to net profit attributable to non-controlling interests	7,097	(399)
Balance 30 June	(76,190)	(12,001)
<i>Share-based payments</i>		
Balance 1 July	5,162	3,354
Employee share plan expense	2,365	2,302
Transfer vesting portion of LTI to issued units	(1,435)	(420)
Transfer non-vesting portion of LTI from retained earnings	(44)	(74)
Balance 30 June	6,048	5,162

Accumulated losses

Movements in accumulated losses were as follows:

	2012 \$'000	2011 \$'000
Balance 1 July	(1,814,990)	(1,731,625)
Profit for the year attributable to owners of Transurban Holding Trust	337,662	306,024
Distributions	(327,366)	(389,463)
Transfer non-vesting portion of LTI to share based payments reserve	44	74
Balance 30 June	(1,804,650)	(1,814,990)

Nature and purpose of other 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 or loss when the associated hedged transaction affects profit or loss.

Share-based payments

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

23 Distributions

	30 June 2012 \$'000	30 June 2011 \$'000
Distributions payable		
Final distribution payable and recognised as a liability: 11.5 cents (2011: 14.0 cents) per fully paid Stapled Security payable 14 August 2012	167,707	202,096
	167,707	202,096
Distributions paid during the year		
Final distribution for 2011 financial year of 14.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 11 August 2011	202,096	169,760
Interim distribution for 2012 financial year of 11.0 cents (2011: 13.0 cents) per fully paid Stapled Security paid 14 February 2012	159,654	187,367
Total distributions paid during the year	361,750	357,127
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2012 and 30 June 2011		
Paid in cash	294,958	232,577
Satisfied by issue of Stapled Securities (a)	66,791	124,557
Funds available for future distribution reinvestment plans	1	(7)
	361,750	357,127

- (a) The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holdings Limited (\$18.7 million), Transurban Holding Trust (\$45.4 million) and Transurban International Limited (\$2.7 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

The Group and parent entity had contingent liabilities at 30 June 2012 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.

25 Contingencies (continued)

Equity guarantee (continued)

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\$182,857,326 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 the interest in DRIVE at a discounted value.

26 Intra-group guarantees

As at 30 June 2012, 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 2012 \$'000	30 June 2011 \$'000
Intangible assets		
Payable:		
Within one year	139,195	242,997
Later than one year but not later than five years	12,792	98,498
	151,987	341,495

Promissory notes

The Responsible Entity, on behalf of the Hills Motorway Trust, has entered into an agreement with the RMS. Annual liabilities under this agreement total \$7.0 million indexed annually to the 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 RMS. 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 (THL) and Transurban International Limited (TIL). The following services are provided by the Group to THL and TIL and/or their subsidiaries:

- Financial support through interest bearing and non-interest bearing loans; and/or
- The rental of land.

Financial support is received from Transurban Finance Company Pty Ltd in the form of an interest bearing loan. The Group 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 2012	30 June 2011
	\$	\$
<i>Amounts recognised as revenue</i>		
Rental income	260,060,073	251,384,307
Interest income	370,765,907	359,109,721
Term loan note interest revenue	91,328,563	84,565,108
	722,154,543	695,059,136
 <i>Amounts recognised as expenses</i>		
Interest and other related charges paid	252,330,549	227,015,493
Responsible Entity fees	2,791,895	2,714,245
	255,122,444	229,729,738
 <i>Aggregate amounts of related party receivables at balance date</i>		
Current receivables	245,698,961	210,633,245
Term loan notes (loan to associate)	782,667,047	724,225,027
Non-current receivables	5,765,981,717	5,810,538,998
	6,794,347,725	6,745,397,270
 <i>Aggregate amounts of related party payables at balance date</i>		
Current payables	200,795,653	173,927,225
Non-current payables	3,297,511,859	3,235,872,868
	3,498,307,512	3,409,800,093

Loans 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)

Loans 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 Maritime Services 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

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	
			2012 %	2011 %
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 2012 \$'000	30 June 2011 \$'000
Balance sheet		
Current assets	683,578	512,008
Non-current assets	7,697,413	7,460,573
Total assets	8,380,991	7,972,581
Current liabilities	304,959	308,721
Non-current liabilities	2,244,702	1,984,012
Total liabilities	2,549,661	2,292,733
<i>Unit holders' funds</i>		
Issued units	7,240,721	7,188,221
Reserves	6,048	5,162
Accumulated losses	(1,415,439)	(1,513,535)
	5,831,330	5,679,848
Profit for the year	425,419	465,577
Total comprehensive income	425,419	465,577

Contingent liabilities of the parent entity

For details of contingent liabilities of the parent entity, refer to note 25.

31 Events occurring after 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 2012 \$'000	30 June 2011 \$'000
Profit for the year	350,600	318,384
Depreciation and amortisation	108,604	106,745
Capitalised term loan note interest	(58,442)	(46,181)
Non-cash concession notes income	(78,042)	(74,374)
Non-cash finance costs	14,997	44,996
Change in operating assets and liabilities:		
(Increase) in receivables and prepayments	(1,262)	(845)
(Increase) in operating related party balances	(255,388)	(310,760)
Movement in current tax liabilities and deferred taxes	613	(505)
Increase in payables	5,429	979
Increase (decrease) in unearned income	(12,738)	33,287
Increase in Promissory Note liability	606	3,075
Net cash inflow from operating activities	74,977	74,801

33 Non-cash investing and financing activities

	30 June 2012 \$'000	30 June 2011 \$'000
Distributions satisfied by the issue of units under the distribution reinvestment plan	51,682	84,691

34 Earnings per unit

Basic earnings per unit

	30 June 2012 Cents	30 June 2011 Cents
Earnings attributable to the ordinary unit holder	23.2	21.3
Total basic earnings per unit attributable to the ordinary equity holders of the Trust	23.2	21.3

Diluted earnings per unit

	30 June 2012 Cents	30 June 2011 Cents
Earnings attributable to the ordinary unit holder	23.2	21.3
Total diluted earnings per unit attributable to the ordinary equity holders of the Trust	23.2	21.3

34 Earnings per unit (continued)

Reconciliation of earnings used in calculating earnings per unit

	30 June 2012 \$'000	30 June 2011 \$'000
<i>Basic and diluted earnings per unit</i>		
Profit for the year	350,600	318,384
Profit attributable to non-controlling interests	(12,938)	(12,360)
Profit attributable to ordinary unit holders of the trust and used in calculating basic and diluted earnings per unit	337,662	306,024

Weighted average number of units used as the denominator

	30 June 2012 Number	30 June 2011 Number
<i>Weighted average number of units used as the denominator in calculating basic and diluted earnings per unit</i>	1,452,932,838	1,437,820,619

Basic earnings per unit

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 (Free Cash Flow (FCF) (from 1 July 2011) or earnings before interest, tax, depreciation and amortisation (EBITDA) measure (pre 1 July 2011) and relative total security holder return (TSR) apply to Performance Awards, each representing 50 per cent of the award. The use of dual measures balances the need to both improve the underlying performance of the business over the long term as well as appropriate returns relative to the market.

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

35 Share-based payments (continued)

Performance Awards plan (continued)

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	EBITDA	FCF					
2012									
1 Nov 2008	1 Nov 2011	3.30	4.27	N/A	1,260,113	-	(1,193,516)	(66,597)	-
11 Dec 2009	11 Dec 2012	3.33	4.97	N/A	1,776,583	-	-	(150,589)	1,625,994
1 Nov 2010	1 Nov 2013	3.23	4.62	N/A	1,401,575	-	-	(200,498)	1,201,077
23 Dec 2010	1 Nov 2013	3.33	4.97	N/A	684,683	-	-	-	684,683
25 Sep 2011	30 Jun 2014	3.37	N/A	4.63	-	837,990	-	(176,058)	661,932
11 Nov 2011	30 Jun 2014	3.27	N/A	4.81	-	715,024	-	-	715,024
Total					5,122,954	1,553,014	(1,193,516)	(593,742)	4,888,710

Weighted average exercise price

\$4.00 \$4.02 \$3.79 \$3.99 \$4.06

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	EBITDA	FCF					
2011									
1 Nov 2008	1 Nov 2011	3.30	4.27	N/A	1,277,630	-	-	(17,517)	1,260,113
11 Dec 2009	11 Dec 2012	3.33	4.97	N/A	1,990,913	-	-	(214,330)	1,776,583
1 Nov 2010	1 Nov 2013	3.23	4.62	N/A	-	1,658,614	-	(257,039)	1,401,575
23 Dec 010	1 Nov 2013	3.33	4.97	N/A	-	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

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
1 Nov 2008	1 Nov 2011	\$4.27	433,722	-	(433,722)	-	-
Total			433,722	-	(433,722)	-	-

Weighted average exercise price

\$4.27 \$- \$4.27 \$- \$-

35 Share-based payments (continued)

Executive Equity Plan (continued)

Grant date	Vesting / 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			548,650	-	(72,334)	(42,594)	433,722
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.

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	EBITDA					
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	331,594	-	(143,060)	(188,534)	-
Total				331,594	-	(143,060)	(188,534)	-
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 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	DRIVE mgt fee					
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	-	(107,007)	(140,554)	-
Total				247,561	-	(107,007)	(140,554)	-
Weighted average exercise price				\$4.26	\$-	\$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 a geometric Brownian motion process, as used in the Black-Scholes framework) to model Transurban's future security price and TSR performance against the comparator group performance at vesting date. The valuation model takes into account the term of the award, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the award.

The Free Cash component of performance awards has been valued using the Black Scholes framework. The model valuation takes into account the term of the award, the security price at grant date, 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 2011 to 30 June 2012, the cost of company matches was \$114,459 (2011: \$89,885) for the Investment Tax Exempt Plan and \$391,708 (2011: \$304,375) for the Investment Tax Deferred Plan.

The third element under the Plan is the Incentive Plan. Subject to Board approval and the performance of the Group, eligible employees may receive a certain number of Transurban securities at no cost to them. In February 2012, each participant was allocated 100 stapled securities at a value of \$5.67 per security. Stapled Securities provided under the Plan were acquired on the open market. Eligible US based participants received an equivalent cash award.

	30 June 2012 Number	30 June 2011 Number
Shares purchased on the market under the plan and provided to participating employees	42,200	42,200

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.

36 Critical accounting estimates and judgements (continued)

Valuation of Promissory notes and Concession Notes (continued)

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.

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 2012	30 June 2011
	USD	USD
	\$'000	\$'000
Consolidated		
Receivables	379,432	357,265
Borrowings	(342,278)	(313,600)
Net exposure	37,154	43,665

Exposure to other foreign exchange movements is not material.

37 Financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

Sensitivity

Based on the financial instruments held at end of the period, had the Australian dollar strengthened/weakened by 10 cents against the U.S. dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$3,258,000 lower (2011: \$3,464,000 lower) or \$3,967,000 higher (2011: \$4,175,000 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.

Price risk

The Group is not exposed to price risk.

Cash flow and fair value 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 2012, 99 per cent (2011: 98 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 2012		30 June 2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	4.8%	(3,545)	5.5%	(11,036)
Floating rate borrowings	5.3%	1,424,720	7.2%	1,304,050
Interest rate swaps (notional principal amount)	3.6%	(1,408,500)	4.9%	(1,282,000)
Net exposure to cash flow interest rate risk		<u>12,675</u>		<u>11,014</u>

An analysis by maturities is provided in liquidity risk below.

Sensitivity

At 30 June 2012, 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 \$127,000 lower/higher (2011: \$110,000 lower/higher).

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.

37 Financial risk management (continued)

Credit risk (continued)

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:

	30 June 2012 \$'000	30 June 2011 \$'000
Floating rate		
- Expiring within one year	130,000	-
- Expiring beyond one year	268,212	418,002
	398,212	418,002

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.

37 Financial risk management (continued)

Liquidity risk (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 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	413,886	-	-	-	-	136,910	550,796	434,212
Variable rate	73,658	379,972	726,625	24,710	261,833	238,265	1,705,063	1,472,523
Fixed rate	223,813	473,813	640,775	782,922	385,257	1,889,415	4,395,995	3,237,838
Total non-derivatives	711,357	853,785	1,367,400	807,632	647,090	2,264,590	6,651,854	5,144,573
Derivatives								
Net settled (interest rate swaps)	30,495	27,182	15,974	10,685	5,153	1,789	91,278	85,045
Total derivatives	30,495	27,182	15,974	10,685	5,153	1,789	91,278	85,045

37 Financial risk management (continued)

Liquidity risk (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	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	399,469	559,199	411,279	381,684	760,541	1,617,211	4,129,383	3,196,714
Total non-derivatives	912,174	852,446	795,857	1,106,800	775,257	1,948,136	6,390,670	4,958,298

Derivatives

Net settled (interest rate swaps)	5,257	4,956	2,563	2,601	1,141	258	16,776	13,757
Total derivatives	5,257	4,956	2,563	2,601	1,141	258	16,776	13,757

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).

37 Financial risk management (continued)

Fair value measurements (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

As at 30 June 2012	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives used for hedging	-	70	-	70
Total assets	-	70	-	70
Liabilities				
Derivatives used for hedging	-	85,115	-	85,115
Total liabilities	-	85,115	-	85,115

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

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 Lynch (resigned 16 July 2012)

Scott Charlton (appointed 16 July 2012)

Non-executive Directors

Lindsay Maxsted

Neil Chatfield

Geoffrey Cosgriff (resigned 6 December 2011)

Jeremy Davis AM (resigned 6 December 2011)

Robert Edgar

Samantha Mostyn

Robert Officer

Christine O'Reilly (appointed 12 April 2012)

Rodney Slater

Ian Smith (appointed 1 January 2012)

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:

K Daley	President International Development
A Head	Group General Manager, New South Wales
S Hogg *	Chief Financial Officer
T Honan *	Chief Financial Officer
M Kulper	President, North America
E Mildwater	Group General Manager, Victoria

(*) - On 2 May 2012, Tom Honan resigned as Chief Financial Officer, and Samantha Hogg was appointed as Chief Financial Officer (previously she was Group General Manager, Corporate Services).

38 Key management personnel disclosures (continued)

2012 REMUNERATION REPORT (AUDITED)

INTRODUCTION

This report, prepared in accordance with the *Corporations Act 2001*, contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who are the 'key management personnel' (**KMP**) of the Transurban Group (**Group**).

The KMP for the year ended 30 June 2012 are listed in the table below:

Current Non-executive Directors	Current Senior Executives
Name	Name and position
Lindsay Maxsted, Chair	Chris Lynch, Executive Director, CEO ¹
Neil Chatfield	Ken Daley, President, International Development
Bob Edgar	Andrew Head, Group General Manager, New South Wales
Samantha Mostyn	Samantha Hogg, CFO ²
Bob Officer	Michael Kulper, President, North America
Christine O'Reilly (<i>appointed 12 April 2012</i>)	Elizabeth Mildwater, Group General Manager, Victoria
Rodney Slater	
Ian Smith (<i>appointed 1 January 2012</i>)	
Former Non-executive Directors	Former Senior Executives
Jeremy Davis (<i>retired 6 December 2011</i>)	Tom Honan, CFO (<i>resigned 2 May 2012</i>) ²
Geoff Cosgriff (<i>retired 6 December 2011</i>)	
Jennifer Eve (Director of TIL only) (<i>resigned 5 January 2012</i>)	
James Keyes (Director of TIL only) (<i>resigned 5 January 2012</i>)	

¹ On 30 January 2012, Transurban announced Chris Lynch's intention to resign as CEO, and on 3 April 2012, Transurban announced the appointment of Scott Chariton as CEO-elect, both with effect in July 2012.

² On 2 May 2012, Transurban announced the appointment of Samantha Hogg as CFO following the resignation of Tom Honan, with immediate effect. Until 2 May 2012, Ms Hogg was Transurban's Group General Manager, Corporate Services. Ms Hogg has been a member of KMP for the full financial year.

CONTENTS

The remuneration information contained in this report is presented as follows:

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5 Link between Group performance, security holder wealth and remuneration	217
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All values in this report are in Australian dollars, unless otherwise stated.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

1 REMUNERATION SNAPSHOT

A THE NEW REMUNERATION FRAMEWORK

A new Group remuneration framework was implemented for the year ended 30 June 2012.

Details of the new framework were summarised in the 2011 report, and security holders voted in favour of the adoption of that report at the 2011 Annual General Meeting (AGM).

The implementation of the new framework followed a comprehensive review by the Board of the Group's remuneration arrangements in the year ended 30 June 2011. The review took into account feedback sought and received from security holders and other stakeholders, market expectations and regulatory developments.

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

Remuneration mix			
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 were as follows:			
		% of total remuneration (annualised) (at target) - 2012 *	
		Fixed TEC	Variable (performance based)
			STI
			LTI
CEO		33.3	33.3**
Other Senior Executives		45	30**
			25
* Refer to page 202 for the new CEO's remuneration arrangements. The transition to the remuneration mix for Michael Kulper and Ken Daley will be achieved by FY2014.			
** With 30 per cent STI deferral.			
Short term incentive (STI)			
In the year ended 30 June 2012, the performance measures for the STI plan were linked to growth in proportional EBITDA, cost management based on proportional net costs, safety, and performance against individual KPIs.			
In the year ended 30 June 2012, mandatory deferral of 30 per cent of the overall STI award was introduced for the CEO and other Senior Executives.			
The deferral period is three years (comprising the 2012 financial year performance period and a two year trading restriction). For Australian Senior Executives, deferral is into securities. Due to legal restrictions on the issue of securities to US residents, US Senior Executives receive deferred cash awards. The deferred component of remuneration may, at the discretion of the Board, be subject to forfeiture or clawback (e.g. in the event of misconduct or material misstatement of financial results).			
Long term incentive (LTI)			
In the year ended 30 June 2012, the performance measures for the LTI plan were as follows:			
<ul style="list-style-type: none"> 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 			

38 Key management personnel disclosures (continued)

Remuneration report (continued)

- 50 per cent Free Cash Flow (**FCF**) per security, reflecting the Group's focus on the maximisation of free cash flow to drive security holder return. The definition of FCF per security is set out on page 210. The FCF calculation is included in note 21 of the Transurban Holdings Limited audited financial statements.

B OTHER EVENTS/ACTIONS IMPACTING REMUNERATION IN THE YEAR ENDED 30 JUNE 2012

CEO transition

On 30 January 2012, Transurban announced Chris Lynch's intention to resign as CEO. On 3 April 2012, Transurban announced the appointment of Scott Charlton as CEO-elect. Mr Charlton became CEO on 16 July 2012.

A summary of Mr Lynch's entitlements on resignation is set out on page 202. Further details of Mr Lynch's resignation arrangements and remuneration details for any part of the year ended 30 June 2013 worked by Mr Lynch will be set out in the 2013 report.

The remuneration arrangements for Mr Charlton were designed in accordance with the Group's remuneration strategy: to ensure alignment of reward with the creation of security holder value and with the achievement of corporate objectives as determined by the Board. They were developed with the benefit of input from remuneration consultants and Australian peer company benchmark data. Mr Charlton's remuneration package was disclosed at the time of his appointment as CEO-elect and is outlined on page 202.

CFO transition

On 2 May 2012, Transurban announced Tom Honan's resignation as CFO and the appointment of Samantha Hogg to the role with immediate effect. Details of Mr Honan's entitlements on resignation are set out on page 203. Details of Ms Hogg's remuneration are set out elsewhere in this report. Her remuneration arrangements as CFO were designed in accordance with the Group's remuneration strategy and were developed with the benefit of Australian peer company benchmark data.

Legislative changes to executive remuneration

In the year ended 30 June 2012, legislative changes introduced by the Federal Government in relation to the governance of executive remuneration arrangements came into effect. The legislation in large part concerns the appointment process for, and recommendations of, independent remuneration advisers.

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

38 Key management personnel disclosures (continued)

Remuneration report (continued)

2 REMUNERATION GOVERNANCE

A 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. The Committee also reviews gender pay equity.

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

The membership of the Remuneration Committee changed in the year ended 30 June 2012. Geoff Cosgriff stood down as Chair and Jeremy Davis stood down as a member of the Committee on their respective retirement from the Board in December 2011. Bob Edgar was appointed Chair and Samantha Mostyn and Neil Chatfield joined the Committee as new members. Further details regarding the Committee's composition are set out in the Directors' report.

B 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 Committee and the Board, but does not serve as a substitute for thorough consideration of the issues by Directors.

Those consultants who provided the Remuneration Committee with a remuneration recommendation relating to KMP during the year ended 30 June 2012, and who have been deemed by the Group to be 'remuneration consultants' for the purposes of the new executive remuneration legislation, are listed below:

Consultant	Remuneration recommendations and fees	Other advice and fees to the Group during FY2012
Ernst & Young	\$26,000	\$98,921 (General HR advice) \$455,825 (IT, finance, sustainability assurance work, tax advice and other general consulting services)

Ernst & Young was selected by the Remuneration Committee and commissioned and instructed by the Chair of the Committee in accordance with the applicable protocol. Ernst & Young's appointment terms specified that all remuneration recommendations and advice be sent directly to the Committee through the Chair, and prohibited the provision of such material or other information directly to Management. The appointment terms also required that Ernst & Young provide, with their recommendations, both a declaration of their independence from the KMP to whom their recommendations related, and also confirmation that the Committee's conditions for contact and dialogue with Management had been observed. Ernst & Young provided such a declaration and confirmation in relation to their remuneration recommendations. In this way, the Committee and the Board have been assured and are satisfied that Ernst & Young's remuneration recommendations and advice were made free from undue influence from Management generally and from KMP specifically.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

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 Hills M2 and Lane Cove Tunnel in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1 per cent), the M5 (50 per cent), and the Westlink M7 (50 per cent). 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 current asset portfolio. Development activities also 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 the Group's aim and the Group's remuneration framework has been determined with a focus on this outcome.

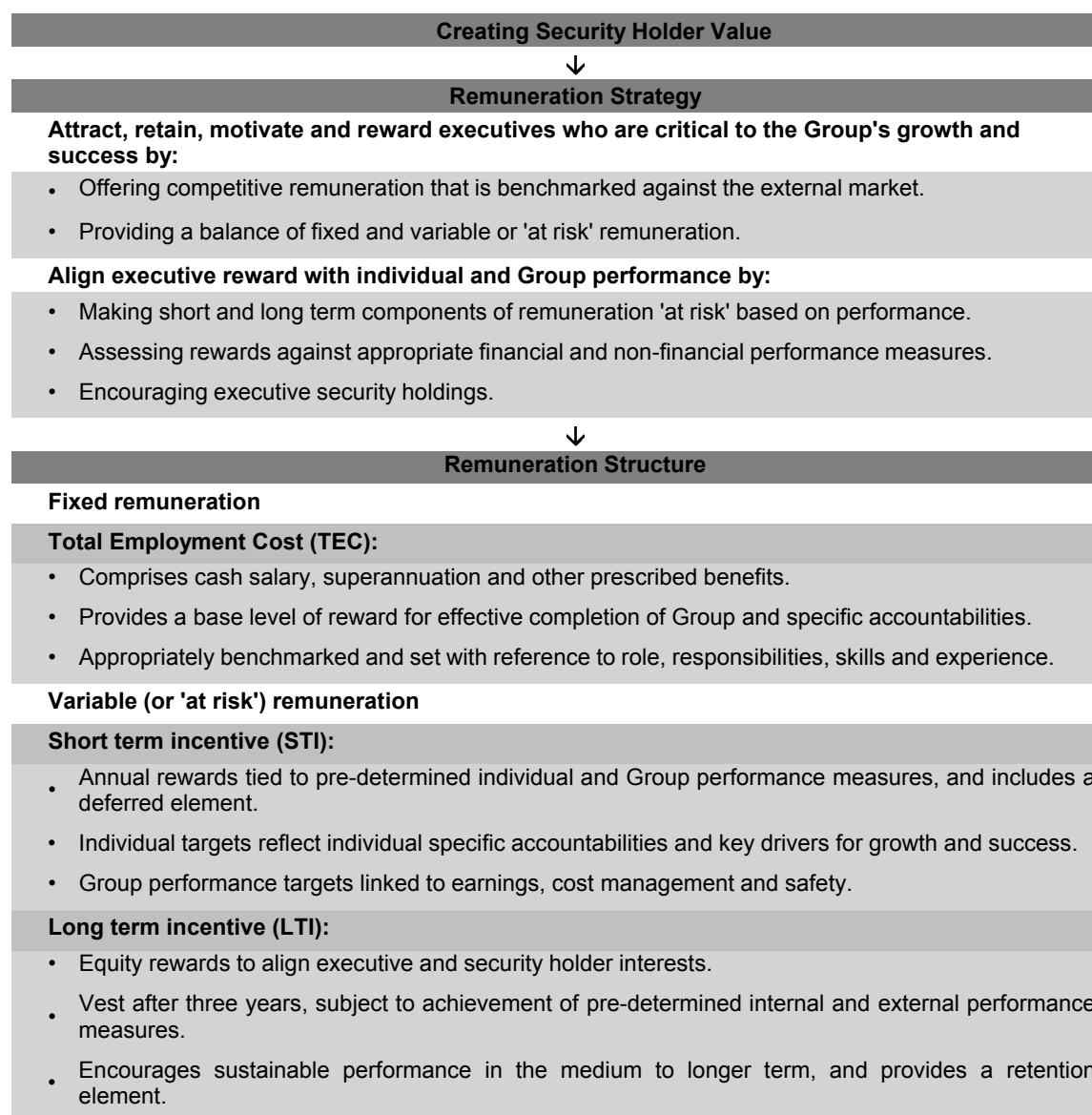
38 Key management personnel disclosures (continued)

Remuneration report (continued)

4 CEO AND SENIOR EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2012

A REMUNERATION STRATEGY AND POLICY

The Group's executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced Management team with the necessary skills and attributes to lead the Group in achieving its business objectives. The strategy also aims to encourage Management to strive for superior performance by rewarding the achievement of targets that are challenging, clearly understood and within the control of individuals to achieve through their own actions. The Group's remuneration strategy and policy as set by the Board is summarised below:



38 Key management personnel disclosures (continued)

Remuneration report (continued)

B CHANGE OF CEO AND CFO - TRANSITION ARRANGEMENTS

On ceasing employment on 30 July 2012, the following arrangements applied to Chris Lynch:

- he will receive an STI award for the year ended 30 June 2012, to be awarded at 116 per cent of his current TEC based on performance against applicable performance targets (see page 208). The cash component of the award (70 per cent or \$1,764,963) will be paid in August 2012. The deferred (into equity) component of the award (30 per cent or \$756,413) will vest, subject to clawback provisions, on 30 June 2014;
- he is contractually entitled to receive an STI award for the 30 days worked in the year ended 30 June 2013, and will receive a pro rated 'target' level payment for the 30 days (\$178,652) after satisfying performance targets for the period which related to his role in a successful CEO transition process. The award will be paid in cash in August 2012;
- equity instruments previously granted to him under the Group's LTI plans will continue on foot in accordance with their original terms, with the applicable performance measures for each grant to be tested at the end of the applicable original performance period;
- as he is contractually entitled to receive an LTI award for every day he is employed by the Group, the Board determined to pay him \$1,060,000 in lieu of an LTI grant earned but not received for a 6 month period during his tenure. The cash sum will be paid in August 2012;
- as he worked out his notice period, he will not receive any amount in lieu of notice; and
- he will not receive any ex gratia payments on separation.

Details of payments made to Mr Lynch in and for the year ended 30 June 2013 will be set out in the 2013 report.

Incoming CEO - Scott Charlton

Scott Charlton's appointment as CEO took effect on 16 July 2012. Mr Charlton was not a member of KMP during the year ended 30 June 2012 and he was paid no remuneration during that year.

As disclosed to the ASX at the time of his appointment, the following arrangements apply to Mr Charlton under his service agreement in relation to the year ended 30 June 2013.

He is provided with the following elements of remuneration (on an annualised basis):

- Total fixed remuneration (TEC) of \$1,875,000; and
- Variable annual remuneration comprised of a STI target opportunity of 30 per cent of his total remuneration package (\$1,406,250); and an LTI target opportunity of 30 per cent of his total remuneration package (\$1,406,250).

38 Key management personnel disclosures (continued)

Remuneration report (continued)

In recognition of Mr Charlton giving up certain STI deferred awards for the years ended 30 June 2011 and 2012 and LTI awards for the years ended 30 June 2010 to 30 June 2012 with his former employer to join Transurban, he will receive a one-off grant of equity as a sign-on award. The grant will consist of 236,256 performance awards, which will vest in three tranches (of 78,752 each) on the first, second and third anniversaries of his commencement with Transurban. Each performance award is an entitlement to receive a fully paid Transurban security on vesting.

Further details of Mr Charlton's remuneration in his first year as CEO will be set out in the 2013 report.

Outgoing CFO - Tom Honan

On ceasing employment as CFO on 2 May 2012, the following arrangements applied to Tom Honan:

- he received a sum equivalent to 3 months TEC as a payment in lieu of notice (\$246,160);
- he was paid a cash sum equivalent to the pro rata vesting of his STI award for the year ended 30 June 2012, calculated based on performance against the applicable performance hurdles during the 10 month period from the start of the year up until the date his employment ceased (\$475,000);
- equity instruments previously granted to him under the Group's LTI plans lapsed in accordance with their original terms (\$962,416 forfeited); and
- he did not receive any ex gratia payments on separation.

Further details of Mr Honan's resignation payments can be found on page 214.

C REMUNERATION MIX

For the year ended 30 June 2012, 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 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 ¹

	% of total remuneration (annualised) (at target) - FY2012 ²		
	Fixed TEC	Variable (performance based)	
		STI (with 30% deferral)	LTI
CEO	33.3	33.3	33.3
Other Senior Executives	45	30	25

¹These 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 to page 204). 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 rights for each KMP.

²Refer to page 202 for the new CEO's remuneration arrangements. The transition to the remuneration mix for Michael Kulper and Ken Daley will be achieved over a maximum of three years (or by FY2014).

38 Key management personnel disclosures (continued)

Remuneration report (continued)

D FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

Fixed remuneration is represented by total employment cost (**TEC**) comprising base salary and superannuation contributions.

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.

How is TEC determined?

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

Executives' TEC is determined with reference to the market median. The primary reference for determining the market median is the ASX 20 - 50. Consideration is given to sizing factors including market capitalisation and revenue. A range around the median provides flexibility to recognise individual performance.

E SHORT TERM INCENTIVE (STI)

How does the STI plan operate?

All permanent Group employees, including the CEO and other Senior Executives, participate in the annual STI plan.

The STI plan puts a significant proportion of remuneration 'at risk' subject to meeting specific pre determined Group, team and individual performance measures linked to business objectives. This aligns executive interests with the Group's financial performance, as well as management principles and the Group's cultural values.

For the year ended 30 June 2012, the CEO had a target STI opportunity of 33 per cent of his total remuneration package. Other Senior Executives had a target STI opportunity of 30 per cent of their total remuneration package.

Mandatory STI deferral of 30 per cent of the overall STI award was introduced for the CEO and other Senior Executives in the year ended 30 June 2012. The deferral period is three years (comprising the 2012 financial year performance period and a two year trading restriction). For Australian Senior Executives, deferral is into securities. Due to legal restrictions on the issue of securities to US residents, US Senior Executives receive deferred cash awards. The deferred component of remuneration may, at the discretion of the Board, be subject to forfeiture or clawback (e.g. in the event of misconduct or the material misstatement of financial results).

38 Key management personnel disclosures (continued)

Remuneration report (continued)

What were the STI performance measures for the year ended 30 June 2012?

There were two categories of STI performance measures for the CEO and other Senior Executives for the year ended 30 June 2012. 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 and targets for FY2012

Measure	% weighting	Description of targets/indicators for FY2012										
Group performance targets	20%	<p>(1) Growth in proportional EBITDA The proportional EBITDA targets for FY2012 were set against the previous year's results and the Group's FY2012 budget, and are set out below:</p> <table border="1"> <thead> <tr> <th>Proportional EBITDA result</th> <th>% of STI that vests[^]</th> </tr> </thead> <tbody> <tr> <td>Less than 7% above forecast underlying result for FY2011</td> <td>0%</td> </tr> <tr> <td>7% above forecast underlying result for FY2011</td> <td>50%</td> </tr> <tr> <td>Budget EBITDA for FY2012 (9% increase on result for FY2011)</td> <td>100%</td> </tr> <tr> <td>17% above forecast underlying result for FY2011</td> <td>150%</td> </tr> </tbody> </table> <p>[^] Straight line vesting applies between 50-100% and 100-150%.</p>	Proportional EBITDA result	% of STI that vests [^]	Less than 7% above forecast underlying result for FY2011	0%	7% above forecast underlying result for FY2011	50%	Budget EBITDA for FY2012 (9% increase on result for FY2011)	100%	17% above forecast underlying result for FY2011	150%
		Proportional EBITDA result	% of STI that vests [^]									
		Less than 7% above forecast underlying result for FY2011	0%									
7% above forecast underlying result for FY2011	50%											
Budget EBITDA for FY2012 (9% increase on result for FY2011)	100%											
17% above forecast underlying result for FY2011	150%											
<p>(2) Cost management based on proportional net costs The proportional net costs targets for FY2012 were set against the previous year's results and the Group's FY2012 budget, and are set out below:</p> <table border="1"> <thead> <tr> <th>Proportional net costs result</th> <th>% of STI that vests[^]</th> </tr> </thead> <tbody> <tr> <td>Over budget for FY2012</td> <td>0%</td> </tr> <tr> <td>On budget for FY2012</td> <td>50%</td> </tr> <tr> <td>5% below budget for FY2012</td> <td>100%</td> </tr> <tr> <td>10% below budget for FY2012</td> <td>150%</td> </tr> </tbody> </table> <p>[^] Straight line vesting applies between 50-100% and 100-150%.</p>	Proportional net costs result	% of STI that vests [^]	Over budget for FY2012	0%	On budget for FY2012	50%	5% below budget for FY2012	100%	10% below budget for FY2012	150%		
Proportional net costs result	% of STI that vests [^]											
Over budget for FY2012	0%											
On budget for FY2012	50%											
5% below budget for FY2012	100%											
10% below budget for FY2012	150%											
<p>(3) Safety targets, including multiple indicators that focus on improving the Group's safety culture and reducing workplace injuries for employees and contractors.</p>												
Individual key performance indicators (KPIs)	50%	<p>Individual KPIs are unique to the individual's area of accountability, and in FY2012 related 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.</p> <p>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 action.</p>										

38 Key management personnel disclosures (continued)

Remuneration report (continued)

Who sets the STI performance measures?

STI performance measures are set at the beginning of the financial year. The CEO's individual KPIs are set by the Board. All other Senior Executives' individual KPIs are set by the CEO and approved by the Board. The Board sets the Group performance targets.

What is proportional EBITDA and why does Transurban use it as an STI 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 Transurban Holdings Limited audited financial statements.

The Board can decide to exclude specific items (including contributions from acquisitions or divestments made during any one year) from proportional EBITDA to provide an underlying result when determining performance incentives. There were no such exclusions for the year ended 30 June 2012.

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

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

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 use of a cost related STI 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 free cash flow and ultimately security holder value.

Proportional net costs was first used by the Group as an STI performance measure in 2010.

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 on-target performance, 100 per cent vests for high performance and up to an additional 50 per cent can be earned for exceptional performance. 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.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

How is performance assessed?

Performance against the Group performance targets is assessed by the Board. The results are independently reviewed.

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

Once KPIs have been assessed, the Board approves STI awards. STI cash awards for the year ended 30 June 2012 will be paid in August 2012. The STI deferred component for the year ended 30 June 2012 will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 30 June 2014.

The Board believes the method of assessment is rigorous and provides a balanced evaluation of the CEO and each other Senior Executive's performance.

What if a Senior Executive ceases employment?

Under the service agreements for Senior Executives (other than the CEO - refer to page 202) in place for the year ended 30 June 2012, if a Senior Executive ceased employment with the Group before performance against STI targets was assessed, they would generally not be entitled to receive any STI award, unless otherwise determined by the Board.

In recognition of Tom Honan's exceptional contribution to the business during the year ended 30 June 2012, and to facilitate an orderly succession in the CFO role, the Board determined to pay Mr Honan a sum equivalent to the pro-rata vesting of his STI for that year, calculated based on performance against the applicable performance measures during the 10 month period from the start of the year up until 2 May 2012, being the date his employment as CFO ceased.

What were the STI performance outcomes for the year ended 30 June 2012?

Group performance in respect of the proportional EBITDA, proportional net costs and safety performance measures for the year ended 30 June 2012 was assessed by the Board as 97 per cent in Australia and 127 per cent in the US.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

STI awards for the CEO and other Senior Executives for the year ended 30 June 2012 are set out in the table below:

Name	STI outcome (%)			Actual STI awarded ¹ (\$)		STI forfeited (%)
	Group performance	Individual KPIs	Total	Cash ²	Deferred into equity ²	
Chris Lynch	112%	120%	116%	1,764,963	756,413	-
Ken Daley	127%	110%	119%	354,612	151,976	-
Andrew Head	97%	120%	109%	297,686	127,580	-
Samantha Hogg	97%	90%	94%	251,598	107,828	6%
Tom Honan ³	97%	100%	83%	475,000	-	17%
Michael Kulper	127%	120%	124%	492,765	211,185	-
Elizabeth Mildwater	97%	95%	96%	263,390	112,882	4%

1 On-target performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of FY2012 was nil. The maximum potential value of the STI was the "Actual STI awarded".

2 The cash STI payments in respect of FY2012 will be paid in August 2012. The STI deferred component for FY2012 (30 per cent of the actual STI awarded) will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 30 June 2014.

3 Tom Honan received an STI pro-rated and awarded based on individual performance and Group performance on his resignation in May 2012. The Board determined to waive the deferred element of this award and pay it in cash.

F LONG TERM INCENTIVE (LTI)

How does the LTI plan operate?

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

Participation in the LTI plan is only offered to the CEO and other Senior Executives, and certain other employees nominated by the CEO and approved by the Board. For the year ended 30 June 2012, the CEO was offered an LTI grant equivalent to 33 per cent of his total remuneration package. Other Senior Executives were offered grants equivalent to 25 per cent of their total remuneration package.

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, subject to 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 are delivered to the participant. Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, and certain US based participants may be required to receive cash settled awards, the Board generally intends to settle any vested performance awards in Transurban securities.

Performance awards that do not vest after testing of the performance measures lapse, without retesting.

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

38 Key management personnel disclosures (continued)

Remuneration report (continued)

What were the LTI performance measures for the year ended 30 June 2012?

Performance awards granted during the year ended 30 June 2012 are subject to a three year performance period and the following dual performance measures over that period:

LTI performance measures for FY2012

Measure	% weighting	Description of measure								
Relative TSR	50%	<p>Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150. The other 33 companies in this group are:</p> <p>Singapore Telecommunications Ltd, Telstra Corporation Ltd, Westfield Group, QR National Ltd, Westfield Retail Trust, Stockland, Leighton Holdings Ltd, AGL Energy Ltd, MAP Group, GPT Group, Goodman Group, CFS Retail Property Trust, Lend Lease Group, Asciano Ltd, Qantas Airways Ltd, Dexus Property Group, Mirvac Group, Telecom Corporation Of New Zealand Ltd, Toll Holdings Ltd, SP Ausnet, APA Group, Commonwealth Property Office Fund, UGL Ltd, ConnectEast Group, Boart Longyear Ltd, Investa Office Fund, Spark Infrastructure Group, Charter Hall Office Reit, Australand Property Group, Monadelphous Group Ltd, Duet Group, TPG Telecom Ltd and Australian Infrastructure Fund.</p> <p>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.</p> <p>For performance awards granted during the year ended 30 June 2012, the relative TSR component will vest on a straight line basis if the Group's relative TSR performance is above the median of the bespoke comparator group at the end of a three year performance period, in accordance with the following table:</p> <p>TSR vesting schedule:</p> <table border="1"> <thead> <tr> <th>The Group's relative TSR ranking in the comparator group</th> <th>% of performance awards that vest</th> </tr> </thead> <tbody> <tr> <td>At or below the 50% percentile</td> <td>Nil</td> </tr> <tr> <td>Above the 50th percentile but below the 75th percentile</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>At or above the 75th percentile</td> <td>100%</td> </tr> </tbody> </table>	The Group's relative TSR ranking in the comparator group	% of performance awards that vest	At or below the 50% percentile	Nil	Above the 50th percentile but below the 75th percentile	Straight line vesting between 50% and 100%	At or above the 75th percentile	100%
The Group's relative TSR ranking in the comparator group	% of performance awards that vest									
At or below the 50% percentile	Nil									
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50% and 100%									
At or above the 75th percentile	100%									

38 Key management personnel disclosures (continued)

Remuneration report (continued)

Measure	% weighting	Description of measure								
Growth in Free Cash Flow (FCF) per security	50%	<p>Within Transurban, FCF per security is defined as:</p> <ul style="list-style-type: none"> • the 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 number of securities issued. <p>The FCF calculation is included in note 21 of the Transurban Holdings Limited audited financial statements.</p> <p>For performance awards granted during the year ended 30 June 2012, the FCF per security component will vest based on the Group's compound annual growth in FCF per security over the three year performance period, as set out below:</p> <p>Growth in FCF per security vesting schedule:</p> <table border="1"> <thead> <tr> <th>% compound annual growth in FCF per security</th> <th>% of performance awards that vest</th> </tr> </thead> <tbody> <tr> <td>7%</td> <td>50%</td> </tr> <tr> <td>Between 7% and 10%</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>10% or more</td> <td>100%</td> </tr> </tbody> </table> <p>For performance awards granted during the year ending 30 June 2013, the performance target range for compound growth in FCF per security is between 6 per cent and 9 per cent.</p>	% compound annual growth in FCF per security	% of performance awards that vest	7%	50%	Between 7% and 10%	Straight line vesting between 50% and 100%	10% or more	100%
% compound annual growth in FCF per security	% of performance awards that vest									
7%	50%									
Between 7% and 10%	Straight line vesting between 50% and 100%									
10% or more	100%									

Why were these LTI performance measures selected?

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

For the year ended 30 June 2012, the Group changed the relative TSR comparator group from the S&P/ASX 100 to the bespoke comparator group described above. The Group considered this comparator group to be more reflective of its competitive market.

For the year ended 30 June 2012, the Group also changed the second LTI measure to FCF per security instead of proportional EBITDA to reflect the Group's focus on the maximisation of free cash. The FCF calculation is included in note 21 to the Transurban Holdings Limited audited financial statements.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

How will the LTI performance targets be measured?

Relative TSR

The Group will receive an independent report that sets out the Group's TSR growth and that of each company in the bespoke comparator group. A volume weighted average price of securities for the four weeks 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 the Group's performance compared to the performance of other companies in the comparator group (the highest ranking company being ranked at the 100th percentile). This ranking will determine the extent to which performance awards subject to this target will vest.

FCF per security

The Group's FCF per security percentage growth rate (as set out in note 21 to the Transurban Holdings Limited audited financial statements) will be calculated based on the cumulative weighted average over the three year performance period.

The Board considers these methods of measurement to be rigorous and transparent.

What if a Senior Executive ceases employment?

Under the terms of the service agreements for Senior Executives (other than the CEO - refer to page 202) in place for the year ended 30 June 2012, if a Senior Executive ceased employment with the Group before the performance measures were tested, then their unvested performance awards would lapse, unless otherwise determined by the Board.

On cessation of Tom Honan's employment on 2 May 2012, Mr Honan forfeited his unvested performance awards.

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

In the event of a takeover or change of control of the Group, the treatment of any unvested performance awards granted in the year ended 30 June 2012 will be subject to the incumbent Board's discretion.

What was the grant, and movement in the number and value, of performance awards during the year ended 30 June 2012?

Performance awards granted in FY2012

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date ¹ (\$)	VWAP at grant date (\$)
Relative TSR	26 Sep 2011	30 June 2014	\$3.37	\$5.35
	CEO: 11 Nov 2011		\$3.27	\$5.41
FCF per security	26 Sep 2011	30 June 2014	\$4.63	\$5.35
	CEO: 11 Nov 2011		\$4.81	\$5.41

¹ An explanation of the pricing model used to calculate these values is set out in note 35 to the Transurban Holdings Limited audited financial statements.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

Performance Awards granted in FY2012

Name	Number of performance awards granted ²	Value at grant date (\$)	Maximum total value of grant yet to vest ³ (\$)
Chris Lynch ¹	715,024	2,888,697	2,888,697
Ken Daley	128,294	513,176	513,176
Andrew Head	107,766	431,064	431,064
Samantha Hogg	101,320	405,280	405,280
Tom Honan ⁴	171,058	684,232	684,232
Michael Kulper	159,286	637,144	637,144
Elizabeth Mildwater	107,766	431,064	431,064

1 The grant made to the CEO constituted his full LTI entitlement for FY2012 and was made following security holder approval at the 2011 AGM on the terms summarised above. Performance awards vest subject to performance over the period from 1 July 2011 through to 30 June 2014.

2 The grants made to Senior Executives constituted their full LTI entitlement for FY2012 and were made on the terms summarised above. Performance awards vest subject to performance over the period from 1 July 2011 through to 30 June 2014.

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 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, Tom Honan forfeited 171,058 awards. The value of the forfeited awards was \$684,232. No other Senior Executives forfeited performance awards during the year.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

G 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.

Plan	FY2011 PAP	FY2010 PAP	FY2009 PAP	FY2009 Executive Equity Plan
Grant date	1 Nov 2010	11 Dec 2009	1 Nov 2008	1 Nov 2008
Performance period	1 Nov 2010 - 1 Nov 2013	1 July 2009 - 30 June 2012	1 Nov 2008 - 1 Nov 2011	1 Nov 2008 - 1 Nov 2011
External performance measure (50% of grant)	Relative TSR	Relative TSR	Relative TSR	N/A Retention grant with service condition only
Comparator group	The S&P/ASX 100			N/A
Vesting schedule	Relative TSR		% of performance awards that vest	
	Above 50th percentile to 75th percentile	Straight line vesting between 50% - 100%		N/A
	At or above the 75th percentile	100% vests		
Internal performance measure (50% of grant)	Group's annual growth in proportional EBITDA	Group's annual growth in proportional EBITDA	Group's annual growth in proportional EBITDA	N/A
	From 7% - 11%	From 6% - 9%	From 5% - 9%	
Vesting schedule	Compound growth		% of performance awards that vest	
	At target %		50% vests	
	From target % to stretch %		Straight line vesting between 50% - 100%	
	At or above stretch %		100% vests	
Current status	To be tested after 1 Nov 2013	TESTED 100% to vest on 11 Dec 2012	TESTED 94.72% vested 5.28% lapsed	TESTED 100% vested

Value of performance awards vested and lapsed in the year ended 30 June 2012

The FY2009 Executive Equity Plan and the FY2009 PAP vested on 1 November 2011. Regarding the FY2009 PAP, 90 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. 99.43 per cent of awards subject to the proportional EBITDA measure vested based on performance against target. In total 5.28 per cent of awards lapsed.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

Name	FY2009 Executive Equity Plan				FY2009 PAP			
	Lapsed		Vested		Lapsed		Vested	
	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)
C Lynch	-	-	79,647	340,093	25,565	85,701	458,156	1,745,183
T Honan	-	-	85,474	364,974	12,291	41,202	220,267	839,030
A Head	-	-	19,146	81,753	2,458	8,241	44,054	167,807
E Mildwater	-	-	19,146	81,753	1,536	5,150	27,534	104,880
S Hogg	-	-	15,316	65,399	1,229	4,120	22,027	83,904
K Daley	-	-	19,146	81,753	3,549	11,897	63,602	242,269
M Kulper	-	-	23,944	102,241	7,686	25,764	137,736	524,658

H REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

	Short-term employee benefits			Deferred STI ³	Post-employment benefits Super-annuation	Termination benefits	Long term benefits Long service leave	Share based benefits ⁴	Total
	Cash salary and fees	Cash STI ¹	Non-monetary benefits ²						
Executive director									
C Lynch									
2012	2,153,375	1,764,963	46,299	252,138	15,775	-	40,812	3,086,801	7,360,163
2011	2,033,360	2,461,680	18,557	-	47,500	-	21,309	2,167,745	6,750,151
Other KMP									
B Bourke									
2012	-	-	-	-	-	-	-	-	-
2011	456,860	254,163	9,097	-	58,333	958,759	-	(57,846)	1,679,366
K Daley⁵									
2012	704,498	354,612	118,030	50,659	45,813	-	21,983	594,613	1,890,208
2011	702,287	431,438	123,596	-	48,995	-	11,627	180,209	1,498,152
M Fletcher									
2012	-	-	-	-	-	-	-	-	-
2011	227,968	110,656	3,114	-	22,917	402,234	-	64,842	831,731
A Head									
2012	571,722	297,686	2,260	42,527	22,760	-	15,258	347,920	1,300,133
2011	541,554	323,640	6,232	-	24,243	-	25,662	209,779	1,131,110
S Hogg									
2012	555,892	251,598	1,903	35,943	15,775	-	11,492	280,575	1,153,178
2011	433,494	241,285	5,882	-	25,000	-	3,342	173,608	882,611
T Honan⁶									
2012	1,149,822	475,000	3,951	-	26,775	-	-	(824,365)	831,183
2011	976,398	587,250	8,178	-	25,000	-	-	761,984	2,358,810
M Kulper									
2012	955,653	492,765	-	70,395	9,458	-	16,165	1,033,606	2,578,042
2011	1,017,385	573,750	8,199	-	9,800	-	19,690	400,734	2,029,558
E Mildwater									
2012	569,468	263,390	2,028	37,627	15,775	-	10,015	350,916	1,249,219
2011	540,797	319,633	6,311	-	25,000	-	5,419	234,376	1,131,536
Total									
2012	6,660,430	3,900,014	174,471	489,289	152,131	-	115,725	4,870,066	16,362,126
2011	6,930,103	5,303,495	189,166	-	286,788	1,360,993	87,049	4,135,431	18,293,025

38 Key management personnel disclosures (continued)

Remuneration report (continued)

1 The amount represents the cash STI payment to the Senior Executive for FY2012, which will be paid in August 2012. The cash component is 70% of the STI award.

2 Non-monetary benefits include Group insurance, vehicle allowances and expatriate allowances (where relevant).

3 30 per cent of STI award is deferred into equity. In accordance with Accounting Standards, the deferred component will be recognised over the three year service period from 1 July 2011 to 30 June 2014. The amount recognised in this table is the FY2012 accounting charge.

4 In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest. The fair value of performance awards at the date of their grant has been independently determined in accordance with AASB 2. The fair value of the performance awards has been valued applying a Monte Carlo simulation to model Transurban's security price and where applicable, the TSR performance against the comparator group performance. The assumptions underpinning these valuations are set out in note 35 to the Transurban Holdings Limited audited financial statements.

5 Ken Daley's 2008 PAP allocation was based on his TEC as at November 2008 of \$577,500 per year. On 5 December 2008, his TEC was increased to \$750,000 per year effective 1 July 2008. The 2008 PAPs were granted on 15 October 2008. The Board determined to compensate Ken for the shortfall in his performance awards allocation given that his new TEC was effective prior to the grant.

6 On ceasing employment as CFO on 2 May 2012, Tom Honan was paid all accrued entitlements owing to him (e.g. earned but unpaid salary and annual leave), a sum equivalent to the pro-rata vesting of this FY2012 STI (\$475,000), and a sum equivalent to 3 months TEC as payment in lieu of notice (\$246,160). He did not receive any ex gratia payments on separation.

I ADDITIONAL REMUNERATION INFORMATION

EMPLOYEE SECURITY PLANS

The Group has three broad employee based security plans.

ShareLink Incentive Plan

Under the ShareLink Incentive Plan, subject to Board approval, an allocation of Transurban securities or cash payments may be made to eligible employees (excluding the CEO and other Senior Executives) in recognition of the Group's prior year performance.

Eligible employees received a grant of 100 securities at no cost to them on 20 February 2012. Due to legal restrictions on the issue of securities to US residents, 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.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

ShareLink Investment Tax Exempt Plan and ShareLink Investment Tax Deferred Plan

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

The ShareLink Investment Tax Deferred Plan provides eligible employees (excluding the CEO and other Senior Executives) with the opportunity to contribute up to \$5,000 per year by way of salary sacrifice to be invested in Transurban securities. The Group matches participants' contributions dollar for dollar up to \$3,000. The plan has a 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 those of the Group and are therefore not subject to performance measures.

DEALINGS IN SECURITIES

In accordance with the Group's Dealing in Securities Policy, employees who have awards under a Group equity plan may not hedge against those awards. In addition, KMP may not hedge against entitlements that have vested but remain subject to a holding lock.

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

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.

Chris Lynch's service agreement included an entitlement to participate in the Group's STI and LTI plans (or equivalent cash plan). Scott Charlton and other Senior Executives are eligible to participate in the STI and LTI plans (or equivalent cash plans for US executives).

Some key aspects of the agreements in place in the year ended 30 June 2012 are outlined below:

	Period of notice to terminate (executives)	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.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

5 LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The variable or 'at risk' remuneration of the CEO and other Senior Executives is linked to the Group's performance through the use of measures based on the operating performance of the business.

A GROUP PERFORMANCE AND STI

For the year ended 30 June 2012, 20 per cent of the Senior Executive STIs were determined with reference to proportional EBITDA, 20 per cent with reference to proportional net costs, and 10 per cent with reference to safety as discussed on page 205.

Proportional EBITDA

The underlying proportional EBITDA result for the year ended 30 June 2012 was \$784.0 million, a 9.1 per cent increase from the prior year result. This resulted in the payment of 93.4 per cent of STI's 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. This result was delivered despite significant disruption caused by construction on Sydney's Hills M2 Motorway.

Proportional net costs

The underlying proportional net costs result for the year ended 30 June 2012 was \$159.9 million, a 7.2 per cent improvement from the prior year result. This resulted in the payment of 149.6 per cent of STI's attributable to proportional net costs. Importantly, the Group's continued focus on proportional net costs resulted in a cost decrease across operational, corporate and business development areas (when taking into account the impact of volume based cost increases).

Safety

For the year ended 30 June 2012, the safety performance measure resulted in a zero STI payment for Senior Executives based in Australia, and 150 per cent for Senior Executives based in the US. The safety KPI target included several components as discussed on page 205 of which a reduction in recordable injury frequency rate was one. Strong results were attained for some aspects of the Australian safety measure, however other areas did not meet all targets.

B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2012, LTIs were linked to relative TSR and, for the first time, FCF per security (see pages 209 and 210).

Relative TSR

The relative TSR for the year ended 30 June 2012 is calculated on a bespoke comparator group from the ASX150 (see page 210).

FCF per security

The performance target for compound growth in FCF per security of between 7 per cent and 10 per cent over three years is considered an appropriate target that reflects the Group's focus on the maximisation of free cash to drive security holder return. For performance awards granted during the year ending 30 June 2013, the compound growth in FCF per security is between 6 per cent and 9 per cent.

The table below summarises the Group's five year results for the relevant performance measures. These results show that since the year ended 30 June 2009, Transurban's distribution policy has been to pay out 100 per cent (rounded) of FCF per security. Since that time, Transurban has delivered consistent growth on this measure based on consistent revenue and EBITDA growth. Based on investor feedback, this remains Transurban's financial focus.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

Measure	Group Performance ¹				
	2012	2011	2010	2009	2008
Security price at year end	\$5.69	\$5.23	\$4.24	\$4.18	\$4.23
Distribution paid per security	29.5c	27.0c	24.0c	22.0c	57.0c*
Underlying proportional EBITDA - \$m	784.0	718.7	635.4	583.3	523.0
TSR performance ²	15%	32%	10%	2%	(41%)
FCF per security performance - weighted average	29.8c	27.5c	27.4c	22.2c	26.0c

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

1 For FY2012, LTIs were linked to relative TSR and FCF per security. In prior years, LTIs were linked to relative TSR and proportional EBITDA.

2 The TSR performance is the total security holder return for that financial year.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

6 NON-EXECUTIVE DIRECTOR REMUNERATION

A REMUNERATION POLICY

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

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

B REMUNERATION ARRANGEMENTS

Maximum aggregate remuneration

The amount of aggregate remuneration that may be paid to Non-executive Directors in any year is capped at a level approved by security holders. The current aggregate fee pool of \$2,400,000 per year (inclusive of superannuation contributions) was approved by security holders at the 2010 AGM. No change to this amount is proposed for the year ending 30 June 2013.

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 Committee considers market benchmark data from independent remuneration consultants.

2012 Non-executive Director fees

A review of Non-executive Director fees was undertaken during the year ended 30 June 2012, and it was determined that there be no increase in fees. Non-executive Director fees were last increased in January 2010.

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

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

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

38 Key management personnel disclosures (continued)

Remuneration report (continued)

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 2012. 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

No current Non-executive Directors are entitled to any 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 that date attracted interest at the statutory fringe benefits rate. Accrued 'frozen' retirement benefits plus interest were paid to Geoff Cosgriff and Jeremy Davis on their retirement from the Board on 6 December 2011.

The following table details the retirement benefits paid and expensed in the years ended 30 June 2012 and 30 June 2011.

	FY2012 \$	FY2011 \$
Geoff Cosgriff	251,028 (paid)	16,301 (accrued)
Jeremy Davis	418,186 (paid)	27,155 (accrued)

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 year. No securities were issued to Non-executive Directors under the plan for the year ended 30 June 2012.

38 Key management personnel disclosures (continued)

Remuneration report (continued)

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-executive Directors' remuneration for the years ended 30 June 2012 and 30 June 2011 are set out below:

	Short-term benefits		Post-employment benefits		Total
	Fees	Superannuation ¹	Retirement benefits ^{2,3}		
Current Non-executive Directors					
Lindsay Maxsted					
2012	439,411	15,775	-		455,186
2011	394,593	35,513	-		430,106
Neil Chatfield					
2012	207,631	15,775	-		223,406
2011	199,828	17,985	-		217,813
Bob Edgar					
2012	207,114	15,775	-		222,889
2011	196,552	17,690	-		214,242
Samantha Mostyn					
2012	176,047	15,398	-		191,445
2011	93,996	8,460	-		102,456
Bob Officer					
2012	176,047	15,398	-		191,445
2011	141,066	12,696	-		153,762
Christine O'Reilly (appointed 12 April 2012)					
2012	34,225	3,080	-		37,305
2011	-	-	-		-
Rodney Slater					
2012	173,720	-	-		173,720
2011	155,268	-	-		155,268
Ian Smith (appointed 1 January 2012)					
2012	77,983	7,018	-		85,001
2011	-	-	-		-
Former Non-executive Directors					
Geoff Cosgriff (resigned 6 December 2011)					
2012	81,778	7,044	251,028		339,850
2011	188,153	16,934	16,301		221,388
Jeremy Davis (resigned 6 December 2011)					
2012	69,903	25,648	418,186		513,737
2011	201,920	27,750	27,155		256,825
David Ryan (resigned 12 August 2010)					
2012	-	-	-		-
2011	49,199	4,428	-		53,627
Jennifer Eve (resigned 5 January 2012)					
2012	48,256	-	-		48,256
2011	91,484	-	-		91,484
James Keyes (resigned 5 January 2012)					
2012	25,793	-	-		25,793
2011	34,984	-	-		34,984
Total					
2012	1,717,908	120,911	669,214		2,508,033 ³
2011	1,747,043	141,456	43,456		1,931,955

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

² Amounts represent contractual retirement benefits paid (in the year ended 30 June 2012) and provided for (in the year end 30 June 2011) for two former Non-executive Directors. No current Non-executive Directors are entitled to any retirement benefits.

³ Retirement benefits are excluded from the amount of aggregate remuneration that may be paid to Non-executive Directors in any year.

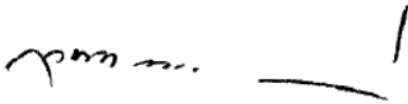
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 147 to 221 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 2012 and of its performance for the year ended on that date, and
- (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 Maxsted
Director



Scott Charlton
Director

Melbourne
7 August 2012



Independent auditor's 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 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban 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 Transurban Infrastructure Management Limited, the Responsible Entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

Independence

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

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

Liability limited by a scheme approved under Professional Standards Legislation.



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 2012 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
7 August 2012

Transurban International Limited and Controlled Entities

ABN 90 121 746 825

Annual report for the year ended 30 June 2012

Transurban International Limited ABN 90 121 746 825
Annual report - 30 June 2012

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Directors' report

The Directors of Transurban International Limited (TIL or "the Company") present their report on the consolidated entity (and referred to hereafter as "the Group") consisting of TIL and the entities it controlled at the end of, or during, the year ended 30 June 2012.

TIL forms part of the triple staple that is Transurban. A Stapled Security comprises one share in Transurban Holdings Limited, one share in TIL 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 Maxsted	
Neil Chatfield	(Appointed 5 January 2012)
Robert Edgar	(Appointed 5 January 2012)
Samantha Mostyn	(Appointed 5 January 2012)
Robert Officer	(Appointed 5 January 2012)
Christine O'Reilly	(Appointed 12 April 2012)
Rodney Slater	(Appointed 5 January 2012)
Ian Smith	(Appointed 5 January 2012)
Jennifer Eve	(Resigned 5 January 2012)
James Keyes	(Resigned 5 January 2012)

Executive Directors

Christopher Lynch	(Resigned 16 July 2012)
Scott Charlton	(Appointed 16 July 2012)

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 \$227,526,000 (2011: \$28,448,000).

Key highlights for the Group during the period were as follows:

Pocahontas 895 (Virginia USA) - Transurban DRIVE

Toll revenue for the year ended 30 June 2012 increased by 5.7 per cent to US\$14.9 million. Average daily trips increased by 3.2 per cent, due to milder weather conditions and the benefit of the completion of the Airport Connector in January 2011.

Transurban announced on the 18 June 2012, that after a detailed review of traffic and operating forecast for Pocahontas 895, it was necessary to reduce the carrying value of the asset based on revised lower revenue forecasts. This resulted in an equity accounting charge for the year ended 30 June 2012 of \$213.3 million.

TIL's investment in Pocahontas is held via Transurban DRIVE, which is 75 per cent owned by Transurban. As a result of this equity accounting charge, TIL's carrying value of its investment in DRIVE will be reduced to zero.

Review of operations (continued)

Business development activities

Capital Beltway (Virginia USA) - Transurban DRIVE

Construction on the Capital Beltway 495 Express lane project is now more than 95 per cent complete. The construction project remains on budget and on track for completion late 2012, with first tolls expected in early 2013.

95 Express Lanes (Virginia USA) - Transurban DRIVE

On 1 August 2012, Transurban announced that financial close had been reached with the Commonwealth of Virginia to build and operate the 95 Express Lanes in northern Virginia, USA.

The 95 Express Lanes will be a 29 mile (46 kilometre), reversible two and three lane facility, with a 73 year operating concession from opening date (2015).

Other corporate activities

Chief Executive Officer (CEO)

On 30 January 2012, Transurban announced Mr Chris Lynch's intention to resign as CEO and as a Director effective from July 2012 after a four year tenure. After a comprehensive Board selection process, Transurban announced on 3 April 2012 the appointment of Mr Scott Charlton as new CEO effective from July 2012.

Significant changes in the state of affairs

On 5 January 2012, TIL and its wholly owned subsidiary, Transurban International Holdings Limited, changed registered domicile from Bermuda to Australia. The change in domicile has had no financial impact on the Group.

There were no other significant changes to the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

As noted above, on 1 August 2012, the Group reached financial close on the 95 Express Lanes project.

Transurban also announced that the 95 Express Lanes investment will be the final new toll road project undertaken by Transurban's co-investment vehicle, DRIVE. Transurban will continue to manage the assets owned by DRIVE.

At the date of this report the Directors are not aware of any other circumstances that have arisen since 30 June 2012 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 Maxsted Dip Bus, FCA.

Chair and independent Non-executive Director

Term of office

Director and Chair since 12 August 2010.

Lindsay is currently Chairman and a Non-executive Director of Westpac Banking Corporation, and a Non-executive Director of BHP Billiton Limited and BHP Billiton plc. He is the Managing Director of Align Capital Pty Ltd and the Honorary Treasurer of Baker IDI Heart and Diabetes Institute.

Lindsay was formerly the CEO of KPMG Australia from 2001 - 2007. His principal area of practice prior to this was in the corporate recovery field managing a number of Australia's largest insolvency / workout / turnaround engagements. Lindsay was previously a Non-executive Director of St George Bank and of VicRacing Pty Ltd.

Lindsay holds interests in 30,000 Stapled Securities.

Transurban Board Committee membership

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

Christopher Lynch B Comm, MBA, FCPA, FAICD.

Chief Executive Officer

Term of office

Director since 18 February 2008. CEO since April 2008. Resigned 16 July 2012.

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 came to Transurban from BHP Billiton, where he held senior roles, including as CFO and as Executive Director and Group President - Carbon Steel Materials. Prior to this the bulk of Chris's career was with Alcoa Inc where his roles included Vice President and CIO, CFO-Europe and Managing Director of KAAL Australia Limited.

Chris is currently a Non-executive Director of Rio Tinto plc and Rio Tinto Limited and a Commissioner of the Australian Football League.

Chris holds interests in 713,563 Stapled Securities and 2,016,918 performance awards.

Scott Charlton BSci, MBA (Texas)

Chief Executive Officer

Term of office

Director since 16 July 2012. CEO since 16 July 2012.

Scott recently joined Transurban from Lend Lease, where he was Group COO (since November 2011) and Group Director of Operations (from March 2010). Prior to this, Scott held several senior appointments across a range of infrastructure and financial institutions, including as CFO of Leighton Holdings (2007-2009) and as Managing Director of Deutsche Bank in Australia and Hong Kong (1995 - 2003).

Scott does not hold interests in any Stapled Securities.

Information on Directors (continued)

Neil Chatfield M.Bus, FCPA, FAICD

Independent Non-executive Director

Term of office

Director since 5 January 2012.

Neil served as Executive Director and the CFO of Toll Holdings Limited from 1997 until September 2008. Neil has extensive experience in general and financial management, capital markets, mergers and acquisitions and risk management.

Neil is currently the Chairman of Virgin Australia Holdings Limited and a Non-executive Director of Seek Limited and of Grange Resources Limited. Neil is also Honorary Chairman of HomeGround Services. He was previously a Non-executive Director of Whitehaven Coal Limited.

Neil holds interests in 30,910 Stapled Securities.

Transurban Board Committee membership

Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committees.

Robert Edgar BEc (Hons), PhD, FAICD

Independent Non-executive Director

Term of office

Director since 5 January 2012.

Bob has over 30 years experience as a Senior Executive, with 25 years at ANZ Banking Group in various senior roles, including Deputy CEO, Senior Managing Director, COO, and Chief Economist.

Bob is currently the Chairman of Centro Retail Australia and a Non-executive Director of Asciano Group and of Linfox Armaguard Pty Ltd. He is also Chairman of the Prince Henry's Institute of Medical Research. He was previously a Non-executive Director of Nufarm Limited, AMMB Holdings Berhad, Shanghai Rural Commercial Bank and of the Bank of Tianjin.

Bob holds interests in 23,733 Stapled Securities.

Transurban Board Committee membership

Chair of the Remuneration Committee and member of the Audit and Risk and Nomination Committees.

Information on Directors (continued)

Samantha Mostyn BA, LLB
Independent Non-executive Director

Term of office

Director since 5 January 2012.

Sam is a Non-executive Director and corporate advisor and has previously held Senior Executive positions at IAG, Optus and Cable & Wireless Plc. Sam is currently Chair of the Stakeholder Advisory Council of the CSIRO's Climate Adaptation Flagship and Deputy Chair of the Diversity Council of Australia. She is a member of the NSW Climate Change Council, the advisory boards of ClimateWorks Australia and the Crawford School of Government and Economics, ANU. Sam is a Commissioner of the Australian Football League and the National Mental Health Commission.

She is currently a Non-executive Director of Virgin Australia Holdings Limited, Sydney Theatre Company, Citigroup Pty Ltd, Australian Volunteers International and St James Ethics Centre Foundation.

Sam holds 10,300 Stapled Securities.

Transurban Board Committee membership

Member of the Remuneration and Nomination Committees.

Robert Officer BAgSc (Melb), MAgEc (New Eng), MBA, PhD (Chicago), FASSA, FINSIA
Non-independent Non-executive Director

Term of office

Director since 5 January 2012.

Bob is currently Professor Emeritus of the University of Melbourne and a specialist in financial economics. His career has spanned academia and consulting across private and public organisations. Bob has held a number of finance professorships at Australian and overseas universities and consulted to a large number of public, private and government organisations in valuation and investment appraisal, international finance, capital markets and takeovers.

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 and Tactical Global Management Ltd. He is a past Chairman of Victorian WorkCover Authority and was previously on the Boards of the Bank of Melbourne, the Over Fifty Group and Melbourne University Publishing Pty Ltd.

Bob holds interests in 20,115 Stapled Securities.

Transurban Board Committee membership

Member of the Nomination and Audit and Risk Committees.

Information on Directors (continued)

Christine O'Reilly BBus

Independent Non-executive Director

Term of office

Director since 12 April 2012

Christine is the Head of Asset Management for Unlisted Infrastructure at Colonial First State Global Asset Management, with a primary focus on direct investment in and management of major infrastructure projects. In this capacity, Christine is a Director of the Anglian Water Group (UK) and Electricity North West (UK). She will step down from these positions on 30 September 2012.

Prior to her time with Colonial, Christine was CEO and Director of the Gasnet Australia Group. She has more than 20 years of infrastructure and financial experience including an early involvement in the reform and establishment of the regulatory framework for the Australian gas industry.

Christine is currently a Non-executive Director of CSL Limited and of Care Australia.

Christine does not hold interests in any Stapled Securities.

Rodney Slater J.D., BS

Independent Non-executive Director

Term of office

Director since 5 January 2012.

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

In the US, Rodney's current directorships include Kansas City Southern (railroads), Verizon Communications Inc, Atkins Global, and Southern Development Bancorporation. He was previously a Director of Parsons Brinckerhoff, Delta Airlines, Northwest Airlines, and ICx Technologies Inc. He also served on Transurban's US Advisory Board until November 2008. Rodney is a Director of the Congressional Awards Foundation and United Way Worldwide.

Rodney does not hold interests in any Stapled Securities.

Transurban Board Committee membership

Member of the Nomination Committee.

Information on Directors (continued)

Ian Smith BE Mining (Hons), BFin Admin
Independent Non-executive Director

Term of office

Director since 5 January 2012.

Ian has more than 30 years experience in the global mining industry in a variety of operational and project management roles. He is currently the Managing Director and CEO of Orica Limited.

Ian is President of The Australian Mines and Metals Association. He was previously the CEO at Newcrest Mining Limited and a Director of the Australian Chamber of Commerce and Industry.

Ian holds interests in 70,000 Stapled Securities.

Jennifer Eve BA, LLB (Hons), LLM in Corporate Law
Independent Non-executive Director

Term of office

Director of TIL from 18 September 2006 to 5 January 2012.

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 does not hold interests in any Stapled Securities.

James Keyes MA. (Hons)
Independent Non-executive Director

Term of office

Director of TIL from 18 September 2006 to 5 January 2012.

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 does not hold interests in any 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.

Julie Galligan LLB, BA

Julie joined Transurban in November 2008 and was appointed as General Counsel, Australia in February 2012. Julie has over 10 years of legal experience in private practice and in-house roles in both Australia and the United Kingdom. Prior to joining Transurban, Julie worked in-house at Associated British Ports.

Meetings of Directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

	Attended	Held [#]
Lindsay Maxsted	8	8
Christopher Lynch	8	8
Neil Chatfield (Appointed 5 January 2012)	6	6
Robert Edgar (Appointed 5 January 2012)	5	6
Samantha Mostyn (Appointed 5 January 2012)	6	6
Robert Officer (Appointed 5 January 2012)	6	6
Christine O'Reilly (Appointed 12 April 2012)	3	3
Rodney Slater (Appointed 5 January 2012)	5	6
Ian Smith (Appointed 5 January 2012)	5	6
Jennifer Eve (Resigned 5 January 2012)	2	2
James Keyes (Resigned 5 January 2012)	2	2

= 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 2012, 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⁾	
	Attended	Held [#]	Attended	Held [#]	Attended	Held [#]
Lindsay Maxsted	8	8	4	*	2	2
Christopher Lynch	8	*	4	*	2	*
Neil Chatfield (Appointed 5 January 2012)	8	8	4	2	2	2
Robert Edgar (Appointed 5 January 2012)	8	8	5	4	1	2
Samantha Mostyn (Appointed 5 January 2012)	*	*	5	2	1	2
Robert Officer (Appointed 5 January 2012)	5	4	1	*	2	2
Christine O'Reilly (Appointed 12 April 2012)	1	*	*	*	2	*
Rodney Slater (Appointed 5 January 2012)	1	*	1	*	2	2
Ian Smith (Appointed 5 January 2012)	*	*	*	*	1	*
Jennifer Eve (Resigned 5 January 2012)	*	*	*	*	*	*
James Keyes (Resigned 5 January 2012)	*	*	*	*	*	*

= 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, Christine O'Reilly and Rodney Slater were not members of the Audit and Risk Committee but attended meetings during the year. Bob Officer attended a meeting prior to becoming a member.
- (2) Lindsay Maxsted, Chris Lynch, Bob Officer and Rodney Slater were not members of the Remuneration Committee but attended meetings during the year. Neil Chatfield, Samantha Mostyn and Bob Edgar attended meetings prior to becoming members. Chris Lynch was excluded from discussions involving his remuneration during meetings of the Remuneration Committee which he attended.
- (3) Chris Lynch, Christine O'Reilly and Ian Smith were not members of the Nomination Committee but attended meetings during the year.

2012 REMUNERATION REPORT (AUDITED)

INTRODUCTION

This report, prepared in accordance with the *Corporations Act 2001*, contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who are the 'key management personnel' (**KMP**) of the Transurban Group (**Group**).

The KMP for the year ended 30 June 2012 are listed in the table below:

Current Non-executive Directors	Current Senior Executives
Name	Name and position
Lindsay Maxsted, Chair	Chris Lynch, Executive Director, CEO ¹
Neil Chatfield	Ken Daley, President, International Development
Bob Edgar	Andrew Head, Group General Manager, New South Wales
Samantha Mostyn	Samantha Hogg, CFO ²
Bob Officer	Michael Kulper, President, North America
Christine O'Reilly (<i>appointed 12 April 2012</i>)	Elizabeth Mildwater, Group General Manager, Victoria
Rodney Slater	
Ian Smith (<i>appointed 1 January 2012</i>)	
Former Non-executive Directors	Former Senior Executives
Jeremy Davis (<i>retired 6 December 2011</i>)	Tom Honan, CFO (<i>resigned 2 May 2012</i>) ²
Geoff Cosgriff (<i>retired 6 December 2011</i>)	
Jennifer Eve (Director of TIL only) (<i>resigned 5 January 2012</i>)	
James Keyes (Director of TIL only) (<i>resigned 5 January 2012</i>)	

¹ On 30 January 2012, Transurban announced Chris Lynch's intention to resign as CEO, and on 3 April 2012, Transurban announced the appointment of Scott Charlton as CEO-elect, both with effect in July 2012.

² On 2 May 2012, Transurban announced the appointment of Samantha Hogg as CFO following the resignation of Tom Honan, with immediate effect. Until 2 May 2012, Ms Hogg was Transurban's Group General Manager, Corporate Services. Ms Hogg has been a member of KMP for the full financial year.

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The remuneration information contained in this report is presented as follows:

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

Remuneration report (continued)

1 REMUNERATION SNAPSHOT

A THE NEW REMUNERATION FRAMEWORK

A new Group remuneration framework was implemented for the year ended 30 June 2012.

Details of the new framework were summarised in the 2011 report, and security holders voted in favour of the adoption of that report at the 2011 Annual General Meeting (**AGM**).

The implementation of the new framework followed a comprehensive review by the Board of the Group's remuneration arrangements in the year ended 30 June 2011. The review took into account feedback sought and received from security holders and other stakeholders, market expectations and regulatory developments.

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

Remuneration mix

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 were as follows:

	% of total 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

* Refer to page 242 for the new CEO's remuneration arrangements. The transition to the remuneration mix for Michael Kulper and Ken Daley will be achieved by FY2014.

** With 30 per cent STI deferral.

Short term incentive (STI)

In the year ended 30 June 2012, the performance measures for the STI plan were linked to growth in proportional EBITDA, cost management based on proportional net costs, safety, and performance against individual KPIs.

In the year ended 30 June 2012, mandatory deferral of 30 per cent of the overall STI award was introduced for the CEO and other Senior Executives.

The deferral period is three years (comprising the 2012 financial year performance period and a two year trading restriction). For Australian Senior Executives, deferral is into securities. Due to legal restrictions on the issue of securities to US residents, US Senior Executives receive deferred cash awards. The deferred component of remuneration may, at the discretion of the Board, be subject to forfeiture or clawback (e.g. in the event of misconduct or material misstatement of financial results).

Long term incentive (LTI)

In the year ended 30 June 2012, the performance measures for the LTI plan were as follows:

- 50 per cent relative Total Shareholder Return (**TSR**) measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150; and
- 50 per cent Free Cash Flow (**FCF**) per security, reflecting the Group's focus on the maximisation of free cash flow to drive security holder return. The definition of FCF per security is set out on page 250. The FCF calculation is included in note 21 of the Transurban Holdings Limited audited financial statements.

Remuneration report (continued)

B OTHER EVENTS/ACTIONS IMPACTING REMUNERATION IN THE YEAR ENDED 30 JUNE 2012

CEO transition

On 30 January 2012, Transurban announced Chris Lynch's intention to resign as CEO. On 3 April 2012, Transurban announced the appointment of Scott Charlton as CEO-elect. Mr Charlton became CEO on 16 July 2012.

A summary of Mr Lynch's entitlements on resignation is set out on page 242. Further details of Mr Lynch's resignation arrangements and remuneration details for any part of the year ended 30 June 2013 worked by Mr Lynch will be set out in the 2013 report.

The remuneration arrangements for Mr Charlton were designed in accordance with the Group's remuneration strategy: to ensure alignment of reward with the creation of security holder value and with the achievement of corporate objectives as determined by the Board. They were developed with the benefit of input from remuneration consultants and Australian peer company benchmark data. Mr Charlton's remuneration package was disclosed at the time of his appointment as CEO-elect and is outlined on page 226.

CFO transition

On 2 May 2012, Transurban announced Tom Honan's resignation as CFO and the appointment of Samantha Hogg to the role with immediate effect. Details of Mr Honan's entitlements on resignation are set out on page 243. Details of Ms Hogg's remuneration are set out elsewhere in this report. Her remuneration arrangements as CFO were designed in accordance with the Group's remuneration strategy and were developed with the benefit of Australian peer company benchmark data.

Legislative changes to executive remuneration

In the year ended 30 June 2012, legislative changes introduced by the Federal Government in relation to the governance of executive remuneration arrangements came into effect. The legislation in large part concerns the appointment process for, and recommendations of, independent remuneration advisers.

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

Remuneration report (continued)

2 REMUNERATION GOVERNANCE

A 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. The Committee also reviews gender pay equity.

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

The membership of the Remuneration Committee changed in the year ended 30 June 2012. Geoff Cosgriff stood down as Chair and Jeremy Davis stood down as a member of the Committee on their respective retirement from the Board in December 2011. Bob Edgar was appointed Chair and Samantha Mostyn and Neil Chatfield joined the Committee as new members. Further details regarding the Committee's composition are set out in the Directors' report.

B 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 Committee and the Board, but does not serve as a substitute for thorough consideration of the issues by Directors.

Those consultants who provided the Remuneration Committee with a remuneration recommendation relating to KMP during the year ended 30 June 2012, and who have been deemed by the Group to be 'remuneration consultants' for the purposes of the new executive remuneration legislation, are listed below:

Consultant	Remuneration recommendations and fees	Other advice and fees to the Group during FY2012
Ernst & Young	\$26,000	\$98,921 (General HR advice) \$455,825 (IT, finance, sustainability assurance work, tax advice and other general consulting services)

Ernst & Young was selected by the Remuneration Committee and commissioned and instructed by the Chair of the Committee in accordance with the applicable protocol. Ernst & Young's appointment terms specified that all remuneration recommendations and advice be sent directly to the Committee through the Chair, and prohibited the provision of such material or other information directly to Management. The appointment terms also required that Ernst & Young provide, with their recommendations, both a declaration of their independence from the KMP to whom their recommendations related, and also confirmation that the Committee's conditions for contact and dialogue with Management had been observed. Ernst & Young provided such a declaration and confirmation in relation to their remuneration recommendations. In this way, the Committee and the Board have been assured and are satisfied that Ernst & Young's remuneration recommendations and advice were made free from undue influence from Management generally and from KMP specifically.

Remuneration report (continued)

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 Hills M2 and Lane Cove Tunnel in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1 per cent), the M5 (50 per cent), and the Westlink M7 (50 per cent). 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.

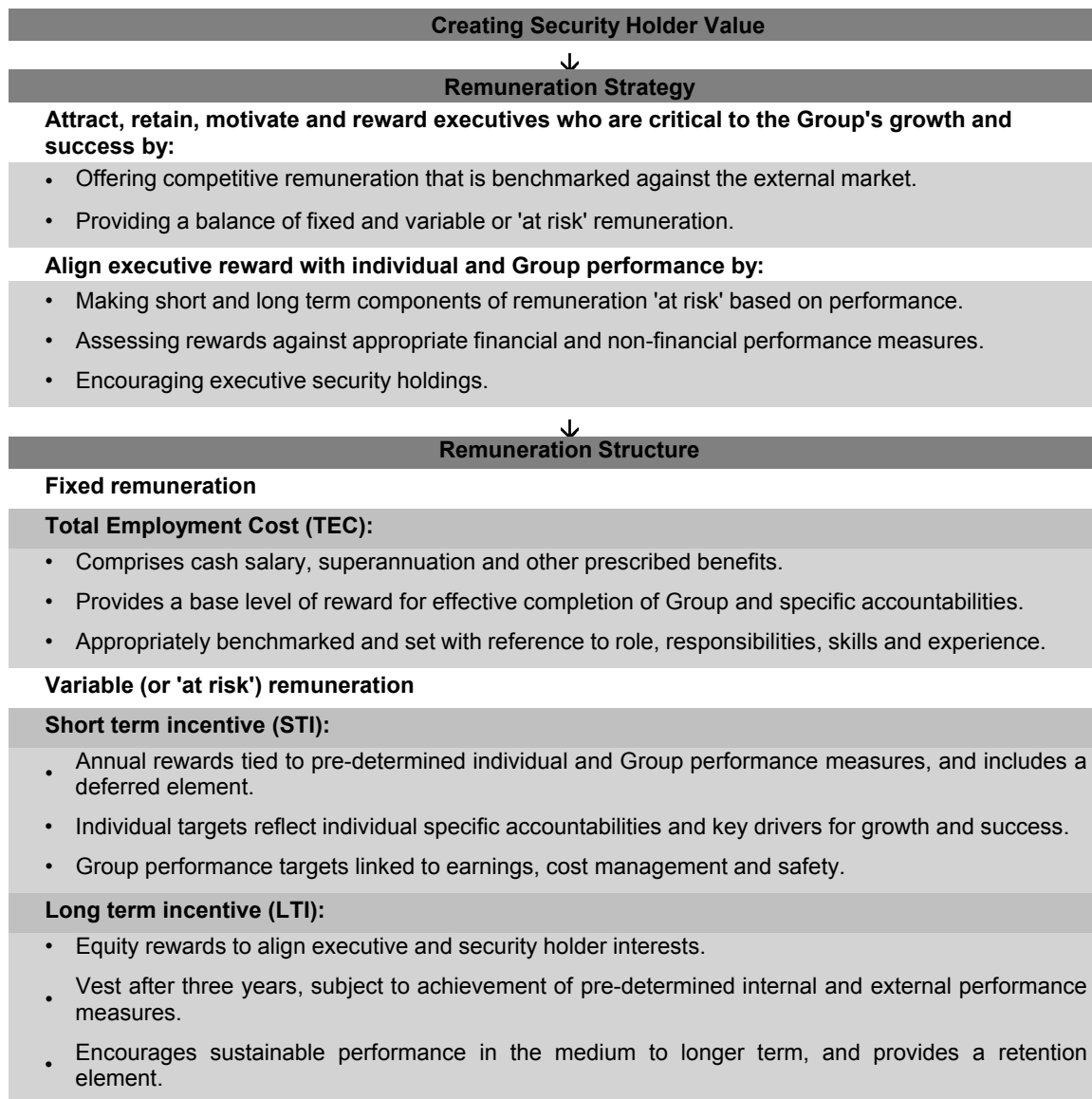
The Board and Management are focused on ensuring security holder value is enhanced through the strong performance of the current asset portfolio. Development activities also provide opportunities to further expand the portfolio in value accretive ways. The maximisation of free cash available to security holders over the near, medium and longer term is the Group's aim and the Group's remuneration framework has been determined with a focus on this outcome.

Remuneration report (continued)

4 CEO AND SENIOR EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2012

A REMUNERATION STRATEGY AND POLICY

The Group's executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced Management team with the necessary skills and attributes to lead the Group in achieving its business objectives. The strategy also aims to encourage Management to strive for superior performance by rewarding the achievement of targets that are challenging, clearly understood and within the control of individuals to achieve through their own actions. The Group's remuneration strategy and policy as set by the Board is summarised below:



Remuneration report (continued)

B CHANGE OF CEO AND CFO - TRANSITION ARRANGEMENTS

On ceasing employment on 30 July 2012, the following arrangements applied to Chris Lynch:

- he will receive an STI award for the year ended 30 June 2012, to be awarded at 116 per cent of his current TEC based on performance against applicable performance targets (see page 248). The cash component of the award (70 per cent or \$1,764,963) will be paid in August 2012. The deferred (into equity) component of the award (30 per cent or \$756,413) will vest, subject to clawback provisions, on 30 June 2014;
- he is contractually entitled to receive an STI award for the 30 days worked in the year ended 30 June 2013, and will receive a pro rated 'target' level payment for the 30 days (\$178,652) after satisfying performance targets for the period which related to his role in a successful CEO transition process; The award will be paid in cash in August 2012;
- equity instruments previously granted to him under the Group's LTI plans will continue on foot in accordance with their original terms, with the applicable performance measures for each grant to be tested at the end of the applicable original performance period;
- as he is contractually entitled to receive an LTI award for every day he is employed by the Group, the Board determined to pay him \$1,060,000 in lieu of an LTI grant earned but not received for a 6 month period during his tenure. The cash sum will be paid in August 2012;
- as he worked out his notice period, he will not receive any amount in lieu of notice; and
- he will not receive any ex gratia payments on separation.

Details of payments made to Mr Lynch in and for the year ended 30 June 2013 will be set out in the 2013 report.

Incoming CEO - Scott Charlton

Scott Charlton's appointment as CEO took effect on 16 July 2012. Mr Charlton was not a member of KMP during the year ended 30 June 2012 and he was paid no remuneration during that year.

As disclosed to the ASX at the time of his appointment, the following arrangements apply to Mr Charlton under his service agreement in relation to the year ended 30 June 2013.

He is provided with the following elements of remuneration (on an annualised basis):

- Total fixed remuneration (TEC) of \$1,875,000; and
- Variable annual remuneration comprised of a STI target opportunity of 30 per cent of his total remuneration package (\$1,406,250); and an LTI target opportunity of 30 per cent of his total remuneration package (\$1,406,250).

In recognition of Mr Charlton giving up certain STI deferred awards for the years ended 30 June 2011 and 2012 and LTI awards for the years ended 30 June 2010 to 30 June 2012 with his former employer to join Transurban, he will receive a one-off grant of equity as a sign-on award. The grant will consist of 236,256 performance awards, which will vest in three tranches (of 78,752 each) on the first, second and third anniversaries of his commencement with Transurban. Each performance award is an entitlement to receive a fully paid Transurban security on vesting.

Further details of Mr Charlton's remuneration in his first year as CEO will be set out in the 2013 report.

Remuneration report (continued)

Outgoing CFO - Tom Honan

On ceasing employment as CFO on 2 May 2012, the following arrangements applied to Tom Honan:

- he received a sum equivalent to 3 months TEC as a payment in lieu of notice (\$246,160);
- he was paid a cash sum equivalent to the pro rata vesting of his STI award for the year ended 30 June 2012, calculated based on performance against the applicable performance hurdles during the 10 month period from the start of the year up until the date his employment ceased (\$475,000);
- equity instruments previously granted to him under the Group's LTI plans lapsed in accordance with their original terms (\$962,416 forfeited); and
- he did not receive any ex gratia payments on separation.

Further details of Mr Honan's resignation payments can be found on page 254.

C REMUNERATION MIX

For the year ended 30 June 2012, 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 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 ¹

	% of total remuneration (annualised) (at target) - FY2012 ²		
	Fixed TEC	Variable (performance based)	
		STI (with 30% deferral)	LTI
CEO	33.3	33.3	33.3
Other Senior Executives	45	30	25

¹These 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 to page 244). 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 rights for each KMP.

²Refer to page 242 for the new CEO's remuneration arrangements. The transition to the remuneration mix for Michael Kulper and Ken Daley will be achieved over a maximum of three years (or by FY2014).

Remuneration report (continued)

D FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

Fixed remuneration is represented by total employment cost (**TEC**) comprising base salary and superannuation contributions.

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.

How is TEC determined?

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

Executives' TEC is determined with reference to the market median. The primary reference for determining the market median is the ASX 20 - 50. Consideration is given to sizing factors including market capitalisation and revenue. A range around the median provides flexibility to recognise individual performance.

E SHORT TERM INCENTIVE (STI)

How does the STI plan operate?

All permanent Group employees, including the CEO and other Senior Executives, participate in the annual STI plan.

The STI plan puts a significant proportion of remuneration 'at risk' subject to meeting specific pre determined Group, team and individual performance measures linked to business objectives. This aligns executive interests with the Group's financial performance, as well as management principles and the Group's cultural values.

For the year ended 30 June 2012, the CEO had a target STI opportunity of 33 per cent of his total remuneration package. Other Senior Executives had a target STI opportunity of 30 per cent of their total remuneration package.

Mandatory STI deferral of 30 per cent of the overall STI award was introduced for the CEO and other Senior Executives in the year ended 30 June 2012. The deferral period is three years (comprising the 2012 financial year performance period and a two year trading restriction). For Australian Senior Executives, deferral is into securities. Due to legal restrictions on the issue of securities to US residents, US Senior Executives receive deferred cash awards. The deferred component of remuneration may, at the discretion of the Board, be subject to forfeiture or clawback (e.g. in the event of misconduct or the material misstatement of financial results).

Remuneration report (continued)

What were the STI performance measures for the year ended 30 June 2012?

There were two categories of STI performance measures for the CEO and other Senior Executives for the year ended 30 June 2012. 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 and targets for FY2012

Measure	% weighting	Description of targets/indicators for FY2012										
Group performance targets	20%	<p>(1) Growth in proportional EBITDA The proportional EBITDA targets for FY2012 were set against the previous year's results and the Group's FY2012 budget, and are set out below:</p> <table border="1"> <thead> <tr> <th>Proportional EBITDA result</th> <th>% of STI that vests[^]</th> </tr> </thead> <tbody> <tr> <td>Less than 7% above forecast underlying result for FY2011</td> <td>0%</td> </tr> <tr> <td>7% above forecast underlying result for FY2011</td> <td>50%</td> </tr> <tr> <td>Budget EBITDA for FY2012 (9% increase on result for FY2011)</td> <td>100%</td> </tr> <tr> <td>17% above forecast underlying result for FY2011</td> <td>150%</td> </tr> </tbody> </table> <p>[^] Straight line vesting applies between 50-100% and 100-150%.</p>	Proportional EBITDA result	% of STI that vests [^]	Less than 7% above forecast underlying result for FY2011	0%	7% above forecast underlying result for FY2011	50%	Budget EBITDA for FY2012 (9% increase on result for FY2011)	100%	17% above forecast underlying result for FY2011	150%
		Proportional EBITDA result	% of STI that vests [^]									
		Less than 7% above forecast underlying result for FY2011	0%									
7% above forecast underlying result for FY2011	50%											
Budget EBITDA for FY2012 (9% increase on result for FY2011)	100%											
17% above forecast underlying result for FY2011	150%											
20%	<p>(2) Cost management based on proportional net costs The proportional net costs targets for FY2012 were set against the previous year's results and the Group's FY2012 budget, and are set out below:</p> <table border="1"> <thead> <tr> <th>Proportional net costs result</th> <th>% of STI that vests[^]</th> </tr> </thead> <tbody> <tr> <td>Over budget for FY2012</td> <td>0%</td> </tr> <tr> <td>On budget for FY2012</td> <td>50%</td> </tr> <tr> <td>5% below budget for FY2012</td> <td>100%</td> </tr> <tr> <td>10% below budget for FY2012</td> <td>150%</td> </tr> </tbody> </table> <p>[^] Straight line vesting applies between 50-100% and 100-150%.</p>	Proportional net costs result	% of STI that vests [^]	Over budget for FY2012	0%	On budget for FY2012	50%	5% below budget for FY2012	100%	10% below budget for FY2012	150%	
Proportional net costs result	% of STI that vests [^]											
Over budget for FY2012	0%											
On budget for FY2012	50%											
5% below budget for FY2012	100%											
10% below budget for FY2012	150%											
10%	<p>(3) Safety targets, including multiple indicators that focus on improving the Group's safety culture and reducing workplace injuries for employees and contractors.</p>											
Individual key performance indicators (KPIs)	50%	<p>Individual KPIs are unique to the individual's area of accountability, and in FY2012 related 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.</p> <p>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 action.</p>										

Who sets the STI performance measures?

STI performance measures are set at the beginning of the financial year. The CEO's individual KPIs are set by the Board. All other Senior Executives' individual KPIs are set by the CEO and approved by the Board. The Board sets the Group performance targets.

Remuneration report (continued)

What is proportional EBITDA and why does Transurban use it as an STI 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 Transurban Holdings Limited audited financial statements.

The Board can decide to exclude specific items (including contributions from acquisitions or divestments made during any one year) from proportional EBITDA to provide an underlying result when determining performance incentives. There were no such exclusions for the year ended 30 June 2012.

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

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

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 use of a cost related STI 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 free cash flow and ultimately security holder value.

Proportional net costs was first used by the Group as an STI performance measure in 2010.

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 on-target performance, 100 per cent vests for high performance and up to an additional 50 per cent can be earned for exceptional performance. 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.

Remuneration report (continued)

How is performance assessed?

Performance against the Group performance targets is assessed by the Board. The results are independently reviewed.

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

Once KPIs have been assessed, the Board approves STI awards. STI cash awards for the year ended 30 June 2012 will be paid in August 2012. The STI deferred component for the year ended 30 June 2012 will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 30 June 2014.

The Board believes the method of assessment is rigorous and provides a balanced evaluation of the CEO and each other Senior Executive's performance.

What if a Senior Executive ceases employment?

Under the service agreements for Senior Executives (other than the CEO - refer to page 242) in place for the year ended 30 June 2012, if a Senior Executive ceased employment with the Group before performance against STI targets was assessed, they would generally not be entitled to receive any STI award, unless otherwise determined by the Board.

In recognition of Tom Honan's exceptional contribution to the business during the year ended 30 June 2012, and to facilitate an orderly succession in the CFO role, the Board determined to pay Mr Honan a sum equivalent to the pro-rata vesting of his STI for that year, calculated based on performance against the applicable performance measures during the 10 month period from the start of the year up until 2 May 2012, being the date his employment as CFO ceased.

What were the STI performance outcomes for the year ended 30 June 2012?

Group performance in respect of the proportional EBITDA, proportional net costs and safety performance measures for the year ended 30 June 2012 was assessed by the Board as 97 per cent in Australia and 127 per cent in the US.

Remuneration report (continued)

STI awards for the CEO and other Senior Executives for the year ended 30 June 2012 are set out in the table below:

Name	STI outcome (%)			Actual STI awarded ¹ (\$)		STI forfeited (%)
	Group performance	Individual KPIs	Total	Cash ²	Deferred into equity ²	
Chris Lynch	112%	120%	116%	1,764,963	756,413	-
Ken Daley	127%	110%	119%	354,612	151,976	-
Andrew Head	97%	120%	109%	297,686	127,580	-
Samantha Hogg	97%	90%	94%	251,598	107,828	6%
Tom Honan ³	97%	100%	83%	475,000	-	17%
Michael Kulper	127%	120%	124%	492,765	211,185	-
Elizabeth Mildwater	97%	95%	96%	263,390	112,882	4%

1 On-target performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of FY2012 was nil. The maximum potential value of the STI was the "Actual STI awarded".

2 The cash STI payments in respect of FY2012 will be paid in August 2012. The STI deferred component for FY2012 (30 per cent of the actual STI awarded) will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 30 June 2014.

3 Tom Honan received an STI pro-rated and awarded based on individual performance and Group performance on his resignation in May 2012. The Board determined to waive the deferred element of this award and pay it in cash.

F LONG TERM INCENTIVE (LTI)

How does the LTI plan operate?

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

Participation in the LTI plan is only offered to the CEO and other Senior Executives, and certain other employees nominated by the CEO and approved by the Board. For the year ended 30 June 2012, the CEO was offered an LTI grant equivalent to 33 per cent of his total remuneration package. Other Senior Executives were offered grants equivalent to 25 per cent of their total remuneration package.

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, subject to 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 are delivered to the participant. Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, and certain US based participants may be required to receive cash settled awards, the Board generally intends to settle any vested performance awards in Transurban securities.

Performance awards that do not vest after testing of the performance measures lapse, without retesting.

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

Remuneration report (continued)

What were the LTI performance measures for the year ended 30 June 2012?

Performance awards granted during the year ended 30 June 2012 are subject to a three year performance period and the following dual performance measures over that period:

LTI performance measures for FY2012

Measure	% weighting	Description of measure								
Relative TSR	50%	<p>Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150. The other 33 companies in this group are:</p> <p>Singapore Telecommunications Ltd, Telstra Corporation Ltd, Westfield Group, QR National Ltd, Westfield Retail Trust, Stockland, Leighton Holdings Ltd, AGL Energy Ltd, MAP Group, GPT Group, Goodman Group, CFS Retail Property Trust, Lend Lease Group, Asciano Ltd, Qantas Airways Ltd, Dexus Property Group, Mirvac Group, Telecom Corporation Of New Zealand Ltd, Toll Holdings Ltd, SP Ausnet, APA Group, Commonwealth Property Office Fund, UGL Ltd, ConnectEast Group, Boart Longyear Ltd, Investa Office Fund, Spark Infrastructure Group, Charter Hall Office Reit, Australand Property Group, Monadelphous Group Ltd, Duet Group, TPG Telecom Ltd and Australian Infrastructure Fund.</p> <p>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.</p> <p>For performance awards granted during the year ended 30 June 2012, the relative TSR component will vest on a straight line basis if the Group's relative TSR performance is above the median of the bespoke comparator group at the end of a three year performance period, in accordance with the following table:</p> <p>TSR vesting schedule:</p> <table border="1"> <thead> <tr> <th>The Group's relative TSR ranking in the comparator group</th> <th>% of performance awards that vest</th> </tr> </thead> <tbody> <tr> <td>At or below the 50% percentile</td> <td>Nil</td> </tr> <tr> <td>Above the 50th percentile but below the 75th percentile</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>At or above the 75th percentile</td> <td>100%</td> </tr> </tbody> </table>	The Group's relative TSR ranking in the comparator group	% of performance awards that vest	At or below the 50% percentile	Nil	Above the 50th percentile but below the 75th percentile	Straight line vesting between 50% and 100%	At or above the 75th percentile	100%
The Group's relative TSR ranking in the comparator group	% of performance awards that vest									
At or below the 50% percentile	Nil									
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50% and 100%									
At or above the 75th percentile	100%									

Remuneration report (continued)

Measure	% weighting	Description of measure								
Growth in Free Cash Flow (FCF) per security	50%	<p>Within Transurban, FCF per security is defined as:</p> <ul style="list-style-type: none"> • the 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 number of securities issued. <p>The FCF calculation is included in note 21 of the Transurban Holdings Limited audited financial statements.</p> <p>For performance awards granted during the year ended 30 June 2012, the FCF per security component will vest based on the Group's compound annual growth in FCF per security over the three year performance period, as set out below:</p> <p>Growth in FCF per security vesting schedule:</p> <table border="1" style="width: 100%;"> <thead> <tr> <th>% compound annual growth in FCF per security</th> <th>% of performance awards that vest</th> </tr> </thead> <tbody> <tr> <td>7%</td> <td>50%</td> </tr> <tr> <td>Between 7% and 10%</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>10% or more</td> <td>100%</td> </tr> </tbody> </table> <p>For performance awards granted during the year ending 30 June 2013, the performance target range for compound growth in FCF per security is between 6 per cent and 9 per cent.</p>	% compound annual growth in FCF per security	% of performance awards that vest	7%	50%	Between 7% and 10%	Straight line vesting between 50% and 100%	10% or more	100%
% compound annual growth in FCF per security	% of performance awards that vest									
7%	50%									
Between 7% and 10%	Straight line vesting between 50% and 100%									
10% or more	100%									

Why were these LTI performance measures selected?

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

For the year ended 30 June 2012, the Group changed the relative TSR comparator group from the S&P/ASX 100 to the bespoke comparator group described above. The Group considered this comparator group to be more reflective of its competitive market.

For the year ended 30 June 2012, the Group also changed the second LTI measure to FCF per security instead of proportional EBITDA to reflect the Group's focus on the maximisation of free cash. The FCF calculation is included in note 21 to the Transurban Holdings Limited audited financial statements.

Remuneration report (continued)

How will the LTI performance targets be measured?

Relative TSR

The Group will receive an independent report that sets out the Group's TSR growth and that of each company in the bespoke comparator group. A volume weighted average price of securities for the four weeks 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 the Group's performance compared to the performance of other companies in the comparator group (the highest ranking company being ranked at the 100th percentile). This ranking will determine the extent to which performance awards subject to this target will vest.

FCF per security

The Group's FCF per security percentage growth rate (as set out in note 21 to the Transurban Holdings Limited audited financial statements) will be calculated based on the cumulative weighted average over the three year performance period.

The Board considers these methods of measurement to be rigorous and transparent.

What if a Senior Executive ceases employment?

Under the terms of the service agreements for Senior Executives (other than the CEO - refer to page 242) in place for the year ended 30 June 2012, if a Senior Executive ceased employment with the Group before the performance measures were tested, then their unvested performance awards would lapse, unless otherwise determined by the Board.

On cessation of Tom Honan's employment on 2 May 2012, Mr Honan forfeited his unvested performance awards.

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

In the event of a takeover or change of control of the Group, the treatment of any unvested performance awards granted in the year ended 30 June 2012 will be subject to the incumbent Board's discretion.

What was the grant, and movement in the number and value, of performance awards during the year ended 30 June 2012?

Performance awards granted in FY2012

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date ¹ (\$)	VWAP at grant date (\$)
Relative TSR	26 Sep 2011	30 June 2014	\$3.37	\$5.35
	CEO: 11 Nov 2011		\$3.27	\$5.41
FCF per security	26 Sep 2011	30 June 2014	\$4.63	\$5.35
	CEO: 11 Nov 2011		\$4.81	\$5.41

¹ An explanation of the pricing model used to calculate these values is set out in note 35 to the Transurban Holdings Limited audited financial statements.

Remuneration report (continued)

Performance Awards granted in FY2012

Name	Number of performance awards granted ²	Value at grant date (\$)	Maximum total value of grant yet to vest ³ (\$)
Chris Lynch ¹	715,024	2,888,697	2,888,697
Ken Daley	128,294	513,176	513,176
Andrew Head	107,766	431,064	431,064
Samantha Hogg	101,320	405,280	405,280
Tom Honan ⁴	171,058	684,232	684,232
Michael Kulper	159,286	637,144	637,144
Elizabeth Mildwater	107,766	431,064	431,064

1 The grant made to the CEO constituted his full LTI entitlement for FY2012 and was made following security holder approval at the 2011 AGM on the terms summarised above. Performance awards vest subject to performance over the period from 1 July 2011 through to 30 June 2014.

2 The grants made to Senior Executives assume full vesting of their full LTI entitlement for FY2012 and were made on the terms summarised above. Performance awards actually vest subject to performance over the period from 1 July 2011 through to 30 June 2014.

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 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, Tom Honan forfeited 171,058 awards. The value of the forfeited awards was \$684,232. No other Senior Executives forfeited performance awards during the year.

Remuneration report (continued)

G 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.

Plan	FY2011 PAP	FY2010 PAP	FY2009 PAP	FY2009 Executive Equity Plan
Grant date	1 Nov 2010	11 Dec 2009	1 Nov 2008	1 Nov 2008
Performance period	1 Nov 2010 - 1 Nov 2013	1 July 2009 - 30 June 2012	1 Nov 2008 - 1 Nov 2011	1 Nov 2008 - 1 Nov 2011
External performance measure (50% of grant)	Relative TSR	Relative TSR	Relative TSR	N/A Retention grant with service condition only
Comparator group	The S&P/ASX 100			N/A
Vesting schedule	<i>Relative TSR</i>		<i>% of performance awards that vest</i>	
	Above 50th percentile to 75th percentile	Straight line vesting between 50% - 100%		N/A
	At or above the 75th percentile	100% vests		
Internal performance measure (50% of grant)	Group's annual growth in proportional EBITDA	Group's annual growth in proportional EBITDA	Group's annual growth in proportional EBITDA	N/A
	From 7% - 11%	From 6% - 9%	From 5% - 9%	
Vesting schedule	<i>Compound growth</i>		<i>% of performance awards that vest</i>	
	At target %		50% vests	
	From target % to stretch %		Straight line vesting between 50% - 100%	
	At or above stretch %		100% vests	
Current status	To be tested after 1 Nov 2013	TESTED 100% to vest on 11 Dec 2012	TESTED 94.72% vested 5.28% lapsed	TESTED 100% vested

Value of performance awards vested and lapsed in the year ended 30 June 2012

The FY2009 Executive Equity Plan and the FY2009 PAP vested on 1 November 2011. Regarding the FY2009 PAP, 90 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. 99.43 per cent of awards subject to the proportional EBITDA measure vested based on performance against target. In total 5.28 per cent of awards lapsed.

Remuneration report (continued)

Name	FY2009 Executive Equity Plan				FY2009 PAP			
	Lapsed		Vested		Lapsed		Vested	
	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)
C Lynch	-	-	79,647	340,093	25,565	85,701	458,156	1,745,183
T Honan	-	-	85,474	364,974	12,291	41,202	220,267	839,030
A Head	-	-	19,146	81,753	2,458	8,241	44,054	167,807
E Mildwater	-	-	19,146	81,753	1,536	5,150	27,534	104,880
S Hogg	-	-	15,316	65,399	1,229	4,120	22,027	83,904
K Daley	-	-	19,146	81,753	3,549	11,897	63,602	242,269
M Kulper	-	-	23,944	102,241	7,686	25,764	137,736	524,658

H REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

	Short-term employee benefits			Deferred STI ³	Post-employment benefits	Termination benefits	Long term benefits	Share based benefits ⁴	Total
	Cash salary and fees	Cash STI ¹	Non-monetary benefits ²						
				Super-annuation		Long service leave			
Executive director									
C Lynch									
2012	2,153,375	1,764,963	46,299	252,138	15,775	-	40,812	3,086,801	7,360,163
2011	2,033,360	2,461,680	18,557	-	47,500	-	21,309	2,167,745	6,750,151
Other KMP									
B Bourke									
2012	-	-	-	-	-	-	-	-	-
2011	456,860	254,163	9,097	-	58,333	958,759	-	(57,846)	1,679,366
K Daley⁵									
2012	704,498	354,612	118,030	50,659	45,813	-	21,983	594,613	1,890,208
2011	702,287	431,438	123,596	-	48,995	-	11,627	180,209	1,498,152
M Fletcher									
2012	-	-	-	-	-	-	-	-	-
2011	227,968	110,656	3,114	-	22,917	402,234	-	64,842	831,731
A Head									
2012	571,722	297,686	2,260	42,527	22,760	-	15,258	347,920	1,300,133
2011	541,554	323,640	6,232	-	24,243	-	25,662	209,779	1,131,110
S Hogg									
2012	555,892	251,598	1,903	35,943	15,775	-	11,492	280,575	1,153,178
2011	433,494	241,285	5,882	-	25,000	-	3,342	173,608	882,611
T Honan⁶									
2012	1,149,822	475,000	3,951	-	26,775	-	-	(824,365)	831,183
2011	976,398	587,250	8,178	-	25,000	-	-	761,984	2,358,810
M Kulper									
2012	955,653	492,765	-	70,395	9,458	-	16,165	1,033,606	2,578,042
2011	1,017,385	573,750	8,199	-	9,800	-	19,690	400,734	2,029,558
E Mildwater									
2012	569,468	263,390	2,028	37,627	15,775	-	10,015	350,916	1,249,219
2011	540,797	319,633	6,311	-	25,000	-	5,419	234,376	1,131,536
Total									
2012	6,660,430	3,900,014	174,471	489,289	152,131	-	115,725	4,870,066	16,362,126
2011	6,930,103	5,303,495	189,166	-	286,788	1,360,993	87,049	4,135,431	18,293,025

Remuneration report (continued)

1 The amount represents the cash STI payment to the Senior Executive for FY2012, which will be paid in August 2012. The cash component is 70% of the STI award.

2 Non-monetary benefits include Group insurance, vehicle allowances and expatriate allowances (where relevant).

3 30 per cent of STI award is deferred into equity. In accordance with Accounting Standards, the deferred component will be recognised over the three year service period from 1 July 2011 to 30 June 2014. The amount recognised in this table is the FY2012 accounting charge.

4 In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest. The fair value of performance awards at the date of their grant has been independently determined in accordance with AASB 2. The fair value of the performance awards has been valued applying a Monte Carlo simulation to model Transurban's security price and where applicable, the TSR performance against the comparator group performance. The assumptions underpinning these valuations are set out in note 35 to the Transurban Holdings Limited audited financial statements.

5 Ken Daley's 2008 PAP allocation was based on his TEC as at November 2008 of \$577,500 per year. On 5 December 2008, his TEC was increased to \$750,000 per year effective 1 July 2008. The 2008 PAPs were granted on 15 October 2008. The Board determined to compensate Ken for the shortfall in his performance awards allocation given that his new TEC was effective prior to the grant.

6 On ceasing employment as CFO on 2 May 2012, Tom Honan was paid all accrued entitlements owing to him (e.g. earned but unpaid salary and annual leave), a sum equivalent to the pro-rata vesting of this FY2012 STI (\$475,000), and a sum equivalent to 3 months TEC as payment in lieu of notice (\$246,160). He did not receive any ex gratia payments on separation.

I ADDITIONAL REMUNERATION INFORMATION

EMPLOYEE SECURITY PLANS

The Group has three broad employee based security plans.

ShareLink Incentive Plan

Under the ShareLink Incentive Plan, subject to Board approval, an allocation of Transurban securities or cash payments may be made to eligible employees (excluding the CEO and other Senior Executives) in recognition of the Group's prior year performance.

Eligible employees received a grant of 100 securities at no cost to them on 20 February 2012. Due to legal restrictions on the issue of securities to US residents, 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 (excluding the CEO and other Senior Executives) the opportunity to invest up to \$1,000 per year in Transurban securities on a tax exempt basis. Participants contribute up to \$500 by way of salary sacrifice which is matched by the Group dollar for dollar. Security acquisitions are made quarterly in September, December, March and June each year.

The ShareLink Investment Tax Deferred Plan provides eligible employees (excluding the CEO and other Senior Executives) with the opportunity to contribute up to \$5,000 per year by way of salary sacrifice to be invested in Transurban securities. The Group matches participants' contributions dollar for dollar up to \$3,000. The plan has a 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 those of the Group and are therefore not subject to performance measures.

Remuneration report (continued)

DEALINGS IN SECURITIES

In accordance with the Group's Dealing in Securities Policy, employees who have awards under a Group equity plan may not hedge against those awards. In addition, KMP may not hedge against entitlements that have vested but remain subject to a holding lock.

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

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.

Chris Lynch's service agreement included an entitlement to participate in the Group's STI and LTI plans (or equivalent cash plan). Scott Charlton and other Senior Executives are eligible to participate in the STI and LTI plans (or equivalent cash plans for US executives).

Some key aspects of the agreements in place in the year ended 30 June 2012 are outlined below:

	Period of notice to terminate (executives)	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.*

Remuneration report (continued)

5 LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The variable or 'at risk' remuneration of the CEO and other Senior Executives is linked to the Group's performance through the use of measures based on the operating performance of the business.

A GROUP PERFORMANCE AND STI

For the year ended 30 June 2012, 20 per cent of the Senior Executive STIs were determined with reference to proportional EBITDA, 20 per cent with reference to proportional net costs, and 10 per cent with reference to safety as discussed on page 245.

Proportional EBITDA

The underlying proportional EBITDA result for the year ended 30 June 2012 was \$784.0 million, a 9.1 per cent increase from the prior year result. This resulted in the payment of 93.4 per cent of STI's 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. This result was delivered despite significant disruption caused by construction on Sydney's Hills M2 Motorway.

Proportional net costs

The underlying proportional net costs result for the year ended 30 June 2012 was \$159.9 million, a 7.2 per cent improvement from the prior year result. This resulted in the payment of 149.6 per cent of STI's attributable to proportional net costs. Importantly, the Group's continued focus on proportional net costs resulted in a cost decrease across operational, corporate and business development areas (when taking into account the impact of volume based cost increases).

Safety

For the year ended 30 June 2012, the safety performance measure resulted in a zero STI payment for Senior Executives based in Australia, and 150 per cent for Senior Executives based in the US. The safety KPI target included several components as discussed on page 245 of which a reduction in recordable injury frequency rate was one. Strong results were attained for some aspects of the Australian safety measure, however other areas did not meet all targets.

B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2012, LTIs were linked to relative TSR and, for the first time, FCF per security (see page 249 and 250).

Relative TSR

The relative TSR for the year ended 30 June 2012 is calculated on a bespoke comparator group from the ASX150 (see page 250).

FCF per security

The performance target range for compound growth in FCF per security of between 7 per cent and 10 per cent over three years is considered an appropriate target that reflects the Group's focus on the maximisation of free cash to drive security holder return. For performance awards granted during the year ending 30 June 2013, the performance target range for compound growth in FCF per security is between 6 per cent and 9 per cent.

The table below summarises the Group's five year results for the relevant performance measures. These results show that since the year ended 30 June 2009, Transurban's distribution policy has been to pay out 100 per cent (rounded) of FCF per security. Since that time, Transurban has delivered consistent growth on this measure based on consistent revenue and EBITDA growth. Based on investor feedback, this remains Transurban's financial focus.

Remuneration report (continued)

Group Performance¹

Measure	2012	2011	2010	2009	2008
Security price at year end	\$5.69	\$5.23	\$4.24	\$4.18	\$4.23
Distribution paid per security	29.5c	27.0c	24.0c	22.0c	57.0c*
Underlying proportional EBITDA - \$m	784.0	718.7	635.4	583.3	523.0
TSR performance ²	15%	32%	10%	2%	(41%)
FCF per security performance - weighted average	29.8c	27.5c	27.4c	22.2c	26.0c

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

1 For FY2012, LTIs were linked to relative TSR and FCF per security. In prior years, LTIs were linked to relative TSR and proportional EBITDA.

2 The TSR performance is the total security holder return for that financial year.

Remuneration report (continued)

6 NON-EXECUTIVE DIRECTOR REMUNERATION

A REMUNERATION POLICY

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

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

B REMUNERATION ARRANGEMENTS

Maximum aggregate remuneration

The amount of aggregate remuneration that may be paid to Non-executive Directors in any year is capped at a level approved by security holders. The current aggregate fee pool of \$2,400,000 per year (inclusive of superannuation contributions) was approved by security holders at the 2010 AGM. No change to this amount is proposed for the year ending 30 June 2013.

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 Committee considers market benchmark data from independent remuneration consultants.

2012 Non-executive Director fees

A review of Non-executive Director fees was undertaken during the year ended 30 June 2012 and it was determined that there be no increase in fees.

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

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

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

Remuneration report (continued)

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 2012. 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

No current Non-executive Directors are entitled to any 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 that date attracted interest at the statutory fringe benefits rate. Accrued 'frozen' retirement benefits plus interest were paid to Geoff Cosgriff and Jeremy Davis on their retirement from the Board on 6 December 2011.

The following table details the retirement benefits paid and expensed in the years ended 30 June 2012 and 30 June 2011.

	FY2012 \$	FY2011 \$
Geoff Cosgriff	251,028 (paid)	16,301 (accrued)
Jeremy Davis	418,186 (paid)	27,155 (accrued)

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 year. No securities were issued to Non-executive Directors under the plan for the year ended 30 June 2012.

Remuneration report (continued)

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-executive Directors' remuneration for the years ended 30 June 2012 and 30 June 2011 are set out below:

	Short-term benefits	Post-employment benefits		Total
	Fees	Superannuation ¹	Retirement benefits ^{2,3}	
Current Non-executive Directors				
Lindsay Maxsted				
2012	439,411	15,775	-	455,186
2011	394,593	35,513	-	430,106
Neil Chatfield				
2012	207,631	15,775	-	223,406
2011	199,828	17,985	-	217,813
Bob Edgar				
2012	207,114	15,775	-	222,889
2011	196,552	17,690	-	214,242
Samantha Mostyn				
2012	176,047	15,398	-	191,445
2011	93,996	8,460	-	102,456
Bob Officer				
2012	176,047	15,398	-	191,445
2011	141,066	12,696	-	153,762
Christine O'Reilly (appointed 12 April 2012)				
2012	34,225	3,080	-	37,305
2011	-	-	-	-
Rodney Slater				
2012	173,720	-	-	173,720
2011	155,268	-	-	155,268
Ian Smith (appointed 1 January 2012)				
2012	77,983	7,018	-	85,001
2011	-	-	-	-
Former Non-executive Directors				
Geoff Cosgriff (resigned 6 December 2011)				
2012	81,778	7,044	251,028	339,850
2011	188,153	16,934	16,301	221,388
Jeremy Davis (resigned 6 December 2011)				
2012	69,903	25,648	418,186	513,737
2011	201,920	27,750	27,155	256,825
David Ryan (resigned 12 August 2010)				
2012	-	-	-	-
2011	49,199	4,428	-	53,627
Jennifer Eve (resigned 5 January 2012)				
2012	48,256	-	-	48,256
2011	91,484	-	-	91,484
James Keyes (resigned 5 January 2012)				
2012	25,793	-	-	25,793
2011	34,984	-	-	34,984
Total				
2012	1,717,908	120,911	669,214	2,508,033 ³
2011	1,747,043	141,456	43,456	1,931,955

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

² Amounts represent contractual retirement benefits paid (in the year ended 30 June 2012) and provided for (in the year end 30 June 2011) for two former Non-executive Directors. No current Non-executive Directors are entitled to any retirement benefits.

³ Retirement benefits are excluded from the amount of aggregate remuneration that may be paid to Non-executive Directors in any year.

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 TIL, its related practices and non-related audit firms:

	30 June 2012	30 June 2011
	\$	\$
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and review of financial reports	52,000	50,000
Total remuneration for PricewaterhouseCoopers	52,000	50,000

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 264.

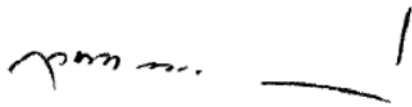
Rounding of amounts

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

Auditor

PricewaterhouseCoopers was re-elected as auditor, at the Annual General Meeting on 26 October 2011, and continues in office in accordance with section 327 of the Corporations Act 2001.

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



Lindsay Maxsted
Director



Scott Charlton
Director

Melbourne
7 August 2012



Auditor's Independence Declaration

As lead auditor for the audit of Transurban International Limited for the year ended 30 June 2012, 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.

A handwritten signature in black ink, appearing to read 'John Yeoman', written over a horizontal line.

John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
7 August 2012

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

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Transurban International Limited ABN 90 121 746 825

Annual report - 30 June 2012

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This financial report covers the consolidated financial statements of the consolidated entity consisting of Transurban International Limited and its subsidiaries. The financial report is presented in the Australian currency.

Transurban International Limited is incorporated and domiciled in Australia.

Its registered office is:

Level 3
505 Little Collins Street
Melbourne VIC 3000

The financial statements were authorised for issue by the Directors on 7 August 2012 . The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and 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 2012

		30 June 2012 \$'000	30 June 2011 \$'000
	Notes		
Revenue			
Construction revenue	3	20,723	7,356
Business development and other revenue	3	19,883	16,915
		<u>40,606</u>	<u>24,271</u>
Administration costs		(9,477)	(7,062)
Business development costs		(15,778)	(12,177)
Construction costs		(14,687)	(7,356)
	4	<u>(39,942)</u>	<u>(26,595)</u>
Profit (loss) before depreciation and amortisation, net finance costs, equity accounted investments and income tax		<u>664</u>	<u>(2,324)</u>
Depreciation and amortisation expense		(592)	(140)
Finance costs		(14,211)	(13,268)
Finance costs	5	<u>(14,211)</u>	<u>(13,268)</u>
Share of net losses of equity accounted investments	9	<u>(213,338)</u>	<u>(17,785)</u>
Loss before income tax		<u>(227,477)</u>	<u>(33,517)</u>
Income tax (expense) benefit	6	(49)	5,069
Loss for the year		<u>(227,526)</u>	<u>(28,448)</u>
Loss is attributable to:			
Owners of Transurban International Limited		<u>(227,526)</u>	<u>(28,448)</u>
		<u>(227,526)</u>	<u>(28,448)</u>
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	27	(15.7)	(2.0)
Diluted earnings per share	27	(15.7)	(2.0)

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 2012

	30 June 2012 \$'000	30 June 2011 \$'000
Loss for the year	(227,526)	(28,448)
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	(39,996)	11,427
Exchange differences on translation of US operations, net of tax	12,113	(6,461)
Other comprehensive income for the year, net of tax	(27,883)	4,966
Total comprehensive income for the year	(255,409)	(23,482)
Total comprehensive income for the year is attributable to:		
Owners of Transurban International Limited	(255,409)	(23,482)
	(255,409)	(23,482)

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 2012

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	9,186	6,574
Trade and other receivables	8	9,889	6,345
Current tax receivables		462	-
Total current assets		<u>19,537</u>	12,919
Non-current assets			
Equity accounted investments	9	-	212,197
Property, plant and equipment	10	2,009	969
Deferred tax assets	11	12,551	12,899
Total non-current assets		<u>14,560</u>	226,065
Total assets		<u>34,097</u>	238,984
LIABILITIES			
Current liabilities			
Trade and other payables	12	251,349	201,721
Current tax liabilities		-	954
Provisions	13	4,767	4,903
Other liabilities	14	12,678	13,581
Total current liabilities		<u>268,794</u>	221,159
Total liabilities		<u>268,794</u>	221,159
Net (liabilities)/assets		<u>(234,697)</u>	17,825
EQUITY			
Contributed equity	15	205,065	201,661
Reserves	16	(72,711)	(44,289)
Accumulated losses	16	(367,051)	(139,547)
Total equity		<u>(234,697)</u>	17,825

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 2012

		Attributable to members of Transurban International Limited			
		Contributed	Accumulated		
Notes		equity \$'000	Reserves \$'000	losses \$'000	Total equity \$'000
	Balance at 1 July 2010	192,977	(49,896)	(111,099)	31,982
	Comprehensive income				
	Loss for the year	-	-	(28,448)	(28,448)
	Other comprehensive income	-	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
		8,684	641	-	9,325
	Balance at 30 June 2011	201,661	(44,289)	(139,547)	17,825
	Balance at 1 July 2011	201,661	(44,289)	(139,547)	17,825
	Comprehensive income				
	Loss for the year	-	-	(227,526)	(227,526)
	Other comprehensive income	-	(27,883)	-	(27,883)
	Total comprehensive income	-	(27,883)	(227,526)	(255,409)
	Transactions with owners in their capacity as owners:				
	Distribution reinvestment plan	15 3,040	-	-	3,040
	Treasury securities	15 207	-	-	207
	Changes in fair value of share-based payment reserve	16 157	(539)	22	(360)
		3,404	(539)	22	2,887
	Balance at 30 June 2012	205,065	(72,711)	(367,051)	(234,697)

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 2012

	30 June	30 June
	2012	2011
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	33,621	33,322
Payments to suppliers and employees (inclusive of GST)	(29,031)	(29,007)
Interest paid	(901)	(427)
Tax (income taxes paid)/refunds	(460)	88
Net cash inflow from operating activities	26 3,229	3,976
Cash flows from investing activities		
Payments for property, plant and equipment	(1,568)	(577)
Payment for investments in equity accounted investments	(18,221)	(29,356)
Net cash (outflow) from investing activities	(19,789)	(29,933)
Cash flows from financing activities		
Proceeds from sale of treasury securities, net of costs	-	(35)
Loans from related parties	32,630	31,879
Repayment of loans to related parties	(13,900)	(10,814)
Net cash inflow from financing activities	18,730	21,030
Net increase (decrease) in cash and cash equivalents	2,170	(4,927)
Cash and cash equivalents at the beginning of the financial year	6,574	13,743
Effects of exchange rate changes on cash and cash equivalents	442	(2,242)
Cash and cash equivalents at end of year	7 9,186	6,574

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 these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial statements 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 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 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 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.

1 Summary of significant accounting policies (continued)

(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 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.

Foreign operations

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.

1 Summary of significant accounting policies (continued)

(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 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.

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

Investment allowances

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

(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 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.

1 Summary of significant accounting policies (continued)

(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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to 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)

(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 period 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

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.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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.

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.

1 Summary of significant accounting policies (continued)

(n) Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(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.

1 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

Equity-based compensation benefits (continued)

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.

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.

1 Summary of significant accounting policies (continued)

(t) Goods and Services Tax (GST) (continued)

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) Net asset deficiency

As at 30 June 2012 the Group has a net asset deficiency represented by net liabilities of \$234.7 million. This deficiency reflects a number of specific factors primarily related to an intercompany loan payable with another entity within the Transurban Group.

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Groups 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 January 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 Company does not have any such liabilities. The Group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

- (ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 112 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Management are currently assessing the impact but do not believe it will be significant.

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

- (ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date.

- (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 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date.

- (v) *AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012.

- (vi) *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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 2012 and 30 June 2011 is as follows:

30 June 2012	Pocahontas 895 75.0%	Capital Beltway 67.5%	Transurban DRIVE 75.0%	Other Transurban DRIVE	Total Transurban DRIVE	Corporate	Total
Toll revenue from external customers	10,750	-	-	-	10,750	-	10,750
Fee and other revenue	105	-	-	-	105	20,882	20,987
Total revenue	10,855	-	-	-	10,855	20,882	31,737
Underlying proportional EBITDA	6,981	-	(3,955)	-	3,026	664	3,690
Proportional EBITDA	6,981	-	(3,955)	-	3,026	664	3,690
Interest revenue	3	1,501	-	-	1,504	-	1,504
Interest expense	(19,499)	-	-	-	(19,499)	(14,210)	(33,709)
Depreciation and amortisation	(15,755)	-	-	-	(15,755)	(592)	(16,347)
Impairment of assets	(302,490)	-	-	-	(302,490)	-	(302,490)
Proportional profit (loss) before tax	(330,760)	1,501	(3,955)	-	(333,214)	(14,138)	(347,352)
Income tax benefit (expense)	73,959	-	2,972	-	76,931	(49)	76,882
Proportional net profit (loss)	(256,801)	1,501	(983)	-	(256,283)	(14,187)	(270,470)

2 Segment information (continued)

Segment information - Proportional Income Statement (continued)

30 June 2011	Pocahontas 895 75.0%	Capital Beltway 67.5%	Transurban Other DRIVE 75.0%	Total Transurban DRIVE	Corporate 100.0%	Total
Toll revenue from external customers	10,818	-	-	10,818	-	10,818
Fee and other revenue	19	-	-	19	7,555	7,574
Total revenue	10,837	-	-	10,837	7,555	18,392
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)

Other segment information - Proportional income statement

Proportional basis of presenting results

The Executive Committee and the CEO 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 2012 \$'000	30 June 2011 \$'000
Total segment revenue (proportional)	31,737	18,392
Less: Revenue of non-controlled assets	(12,359)	(12,491)
Interest revenue	1,504	1,654
Business Development revenue (offset against Business Development costs for proportional results)	19,550	16,255
Other	174	461
Total revenue (note 3)	40,606	24,271

2 Segment information (continued)

Other segment information - Proportional income statement (continued)

Interest revenue

Interest revenue is earned through bank interest revenue.

Interest revenue reconciles to total statutory finance income as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Total segment interest revenue (proportional)	1,504	1,654
Less: Interest revenue of non-controlled assets	(1,504)	(1,654)
Total finance income	-	-

Proportional EBITDA

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

	30 June 2012 \$'000	30 June 2011 \$'000
Proportional EBITDA	3,690	(117)
Less: Proportional EBITDA of Pocahontas	(6,981)	(6,321)
Less: Proportional EBITDA of DRIVE	3,955	4,114
Statutory profit (loss) before depreciation and amortisation, net finance costs, equity accounted investments and tax	664	(2,324)
Net finance costs	(14,211)	(13,268)
Statutory depreciation and amortisation	(592)	(140)
Share of associates profit/(loss)	(213,338)	(17,785)
Income tax (expense)/benefit	(49)	5,069
Loss for the year	(227,526)	(28,448)

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 information for the reportable segments for the periods ended 30 June 2012 and 30 June 2011 is as follows:

30 June 2012

	Transurban DRIVE \$'000	Corporate \$'000	Total \$'000
Total segment assets	-	34,097	34,097
Total segment assets include:			
Investment in associates and joint venture partnerships	-	-	-
Additions to non-current assets (other than financial assets and deferred tax)	-	677	677

30 June 2011

	Transurban DRIVE \$'000	Corporate \$'000	Total \$'000
Total segment assets	212,197	26,787	238,984
Total segment assets include:			
Investments in associates and joint venture partnerships	212,197	-	212,197
Additions to non-current assets (other than financial assets and deferred tax)	-	560	560

Transurban International Limited
Notes to the consolidated financial statements
30 June 2012
(continued)

3 Revenue

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Construction revenue	3(a)	20,723	7,356
Management and Business development revenue	3(b)	19,883	16,915
Total Revenue		40,606	24,271

(a) Construction revenue

Construction revenue is recognised during the development of assets for sale to third parties.

(b) Management and Business development revenue

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

4 Expenses

	30 June 2012 \$'000	30 June 2011 \$'000
Loss before income tax includes the following specific expenses:		
Employee benefits expense	10,269	11,451
Rental expense	635	756

5 Finance costs

	30 June 2012 \$'000	30 June 2011 \$'000
Finance costs		
Interest and finance charges paid/payable	(14,211)	(12,524)
Foreign exchange losses	-	(744)
Total finance costs	(14,211)	(13,268)
Finance costs	(14,211)	(13,268)

6 Income tax benefit

Income tax benefit

	30 June 2012 \$'000	30 June 2011 \$'000
Current tax	(703)	1,435
Deferred tax	1,178	(6,784)
Under/(over) provided in prior years	(426)	280
	49	(5,069)
Deferred income tax (benefit) expense included in income tax benefit comprises:		
Decrease (Increase) in deferred tax assets (note 11)	6,891	(9,847)
(Decrease) Increase in deferred tax liabilities (note 11)	(5,713)	3,063
	1,178	(6,784)

Numerical reconciliation of income tax benefit to prima facie tax payable

	30 June 2012 \$'000	30 June 2011 \$'000
Loss before income tax benefit	(227,477)	(33,517)
Tax at the Australian tax rate of 30.0% (2011 - 30.0%)	(68,243)	(10,055)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible interest	3,810	-
Tax differential	58	(1,372)
Share of equity accounted results	64,001	5,335
Income not subject to tax	-	146
Sundry items	849	597
Under/(over) provision in prior years	(426)	280
Income tax expense (benefit)	49	(5,069)

7 Current assets - Cash and cash equivalents

	30 June 2012 \$'000	30 June 2011 \$'000
Cash at bank and in hand	<u>9,186</u>	<u>6,574</u>
	9,186	6,574

All cash balances are interest bearing.

8 Current assets - Trade and other receivables

	30 June 2012 \$'000	30 June 2011 \$'000
Loans to related parties	4,377	3,864
Other receivables	5,486	2,456
Prepayments	26	25
	<u>9,889</u>	<u>6,345</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 2012 %	30 June 2011 %	30 June 2012 \$'000	30 June 2011 \$'000
Transurban DRIVe Holdings LLC	75	75	-	212,197
			-	212,197

Summarised financial information of equity accounted investments

	Ownership Interest %	Group's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Loss \$'000
2012					
Transurban DRIVe Holdings LLC	75	1,344,261	(1,374,961)	10,855	(249,269)
		1,344,261	(1,374,961)	10,855	(249,269)
2011					
Transurban DRIVe Holdings LLC	75	1,371,454	(1,159,257)	10,837	(17,785)
		1,371,454	(1,159,257)	10,837	(17,785)

9 Equity accounted investments (continued)

	DRIVE	
	30 June	30 June
	2012	2011
	\$'000	\$'000
Movements in carrying amounts		
Carrying amount 1 July	212,197	242,321
Investments in associates	17,586	28,103
Share of (losses) after income tax	(213,338)	(17,785)
Movements in exchange rates	23,551	(51,869)
Movements in reserves	(39,996)	11,427
Carrying amount at 30 June	-	212,197
Share of profits or losses		
Loss before income tax	(279,007)	(24,108)
Income tax benefit	65,669	6,323
	(213,338)	(17,785)
Share of losses not recognised		
Balance at 1 July	-	-
Unrecognised losses for the year	35,931	-
Balance at 30 June	35,931	-
Share of expenditure commitments		
Capital commitments	64,387	325,835
Operating commitments	186,554	143,657
	250,941	469,492

Contingent liabilities of associates

As at the reporting date there are no contingent liabilities.

9 Equity accounted investments (continued)

Transurban DRIVE Holdings LLC

The Group owns 75 per cent of Transurban DRIVE Holdings LLC (DRIVE). Whilst its 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.

In June 2012, after a detailed review of traffic operating forecasts for Pocahontas 895, it was necessary to reduce the carrying value of the asset based on revised lower revenue forecasts. This resulted in a proportional impairment charge of \$302.5 (see note 2) and an equity accounting charge for the year ended 30 June 2012 of \$213.3 million within the Group. As noted there are further additional unrecognised losses of \$35.9 million.

10 Non-current assets - Property, plant and equipment

	Equipment, fittings, operating systems \$'000
At 1 July 2010	
Cost	4,712
Accumulated depreciation	(4,031)
Net book amount	681
Year ended 30 June 2011	
Opening net book amount	681
Additions	560
Depreciation charge	(140)
Movement in foreign exchange rates	(132)
Closing net book amount	969
At 30 June 2011	
Cost	4,276
Accumulated depreciation	(3,307)
Net book amount	969
Year ended 30 June 2012	
Opening net book amount	969
Additions	1,600
Disposals	(3)
Depreciation charge	(592)
Movement in foreign exchange rates	35
Closing net book amount	2,009
At 30 June 2012	
Cost	5,608
Accumulated depreciation	(3,599)
Net book amount	2,009

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

11 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2011 \$'000
The balance comprises temporary difference attributable to:						
Accrued expenses	621	219	-	-	621	219
Provisions	1,251	1,038	-	-	1,251	1,038
Current and prior year losses	2,638	-	-	-	2,638	-
Unearned income	8,014	14,577	-	-	8,014	14,577
Fixed Assets/Intangibles	-	-	(40)	(5,753)	(40)	(5,753)
Unrealised foreign exchange	67	2,818	-	-	67	2,818
Tax assets/(liabilities)	12,591	18,652	(40)	(5,753)	12,551	12,899
Set off of tax	(40)	(5,753)	40	5,753	-	-
Net tax assets/(liabilities)	12,551	12,899	-	-	12,551	12,899
Movements:						
Opening balance at 1 July	18,652	12,051	(5,753)	(3,436)	12,899	8,615
Credited/(charged) to the income statement	(6,891)	9,847	5,713	(3,063)	(1,178)	6,784
Foreign exchange movements	830	(3,246)	-	746	830	(2,500)
Closing balance 30 June	12,591	18,652	(40)	(5,753)	12,551	12,899
Deferred tax assets/(liabilities) to be recovered after more than 12 months	12,591	(18,652)	(40)	5,753	12,551	(12,899)
	12,591	(18,652)	(40)	5,753	12,551	(12,899)

12 Current liabilities - Trade and other payables

	30 June 2012 \$'000	30 June 2011 \$'000
Trade payables and accruals	6,008	4,960
Loans from related parties (note 22)	245,341	196,761
	251,349	201,721

13 Provisions

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Employee benefits	13(a)	3,207	3,165
Onerous lease provision	13(b)	1,560	1,738
		<u>4,767</u>	<u>4,903</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 - 2012	
Carrying amount at start of year	1,738
Amounts paid/utilised during the year	(271)
Movements in foreign exchange rates	93
Carrying amount at the end of year	<u>1,560</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 current liabilities

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Unearned income	14(a)	12,678	13,581
		<u>12,678</u>	<u>13,581</u>

(a) Unearned income

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

15 Contributed equity

Share capital

	2012 Number '000	2011 Number '000	30 June 2012 \$'000	30 June 2011 \$'000
Ordinary shares - fully paid	1,458,321	1,443,193	205,065	201,661
	1,458,321	1,443,193	205,065	201,661

Movements in ordinary share capital

Details	Notes	Number of securities '000	\$'000
Opening balance at 1 July 2010		1,414,295	192,977
Distribution Reinvestment Plan	15(a)	28,876	8,719
Purchase, disposal and vesting of treasury securities	15(b)	22	(35)
Closing balance at 30 June 2011		1,443,193	201,661
Opening balance at 1 July 2011		1,443,193	201,661
Distribution Reinvestment Plan	15(a)	14,162	3,040
Disposal and vesting of treasury securities	15(b)	351	207
Transfer vesting portion of LTI from share-based payment reserve		615	517
Purchase of Performance Awards Plan shares		-	(360)
Closing balance at 30 June 2012		1,458,321	205,065

(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.

15 Contributed equity (continued)

Ordinary shares

The number of shares on issue is 1,458,321,112 (2011: 1,443,543,731). The difference in the prior year of 351,075 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

Reserves

	30 June 2012 \$'000	30 June 2011 \$'000
Cash flow hedges	(104,334)	(64,338)
Share-based payments	765	1,304
Foreign currency translation	40,083	27,970
Transactions with non-controlling interests	(9,225)	(9,225)
	(72,711)	(44,289)

Movements:

<i>Cash flow hedges</i>		
Balance 1 July	(64,338)	(75,765)
Movement in associate's reserve (note 9)	(39,996)	11,427
Balance 30 June	(104,334)	(64,338)

16 Reserves and accumulated losses (continued)

Reserves (continued)

Share-based payments

Balance 1 July	1,304	663
Employee share plan expense	(725)	641
Transfer vesting portion of LTI to contributed equity	208	-
Transfer non-vesting portion of LTI to retained earnings	(22)	-
Balance 30 June	765	1,304

Foreign currency translation

Balance 1 July	27,970	34,431
Currency translation differences arising during the year	12,113	(6,461)
Balance 30 June	40,083	27,970

Common control reserve

Balance 1 July	(9,225)	(9,225)
Balance 30 June	(9,225)	(9,225)

Accumulated losses

	2012 \$'000	2011 \$'000
Balance 1 July	(139,547)	(111,099)
Net (loss) for the year	(227,526)	(28,448)
Transfer of non-vesting portion of LTI from shared-based payment reserve	22	-
Balance 30 June	(367,051)	(139,547)

Nature and purpose of other 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, its related practices:

Amounts received or due and receivable by PricewaterhouseCoopers

	30 June 2012	30 June 2011
	\$	\$
<i>Audit services</i>		
Audit and review of financial reports	52,000	50,000
Total remuneration for PricewaterhouseCoopers	52,000	50,000

19 Contingencies

Contingent liabilities

The parent entity and the Group had contingent liabilities at 30 June 2012 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 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\$182,857,326 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 the interest in DRIVE at a discounted value.

19 Contingencies (continued)

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, an asset has not been recognised.

20 Intra-group guarantees

As at 30 June 2012 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 2012 \$'000	30 June 2011 \$'000
Property, plant and equipment Payable:		
Within one year	3,457	10,635
Later than one year but not later than five years	-	2,414
Later than five years	-	-
	3,457	13,049

Lease commitments

	30 June 2012 \$'000	30 June 2011 \$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	932	952
Later than one year but not later than five years	3,371	3,416
Later than five years	496	1,138
	4,799	5,506

21 Commitments (continued)

Lease commitments (continued)

	30 June 2012 \$'000	30 June 2011 \$'000
<i>Sub-lease payments</i>		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	428	812
	428	812

22 Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	30 June 2012 \$	30 June 2011 \$
<i>Revenue from services provided to associate</i>		
Management and Business development fees	19,883,145	16,917,972
	19,883,145	16,917,972

Loans to/from related parties

<i>Loans to related parties</i>		
Beginning of the year	3,864,127	6,247,973
Loans advanced	23,493,685	25,088,416
Repayment of loans	(23,164,126)	(26,298,488)
Foreign exchange movements	182,844	(1,173,774)
	4,376,530	3,864,127

<i>Loans from related parties</i>		
Beginning of the year	196,761,369	223,562,646
Loans advanced	64,326,442	70,515,117
Loans repayments	(26,961,002)	(52,361,651)
Foreign exchange movements	11,214,513	(44,954,743)
	245,341,322	196,761,369

Other related parties

All the Directors of TIL are also 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 principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2012 %	2011 %
Transurban International Holdings Limited	Australia*	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

* Transurban International Holdings Limited changed domicile from Bermuda to Australia on 5 January 2012.

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 2012 \$'000	30 June 2011 \$'000
Balance sheet		
Current assets	184,876	172,442
Non-current assets	1	1
Total assets	<u>184,877</u>	<u>172,443</u>
Current liabilities	-	61
Non-current liabilities	-	-
Total liabilities	<u>-</u>	<u>61</u>
<i>Shareholders' equity</i>		
Contributed equity	205,061	201,658
Reserves	(19,471)	(28,369)
Accumulated losses	(712)	(905)
	<u>184,877</u>	<u>172,384</u>
Profit for the year	<u>172</u>	<u>94</u>
Total comprehensive income	<u>172</u>	<u>94</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 reporting period

On 1 August 2012, the Group announced that financial close had been reached with the Commonwealth of Virginia to build and operate the 95 Express Lanes in northern Virginia, USA.

The Group also announced that the 95 Express Lanes investment will be the final new toll road project undertaken by Transurban's co-investment vehicle, DRIVE. Transurban will continue to manage the assets owned by DRIVE.

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.

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

	30 June 2012 \$'000	30 June 2011 \$'000
Loss for the year	(227,526)	(28,448)
Depreciation and amortisation	592	140
Share of net losses of equity accounted investments	213,338	17,785
Change in operating assets and liabilities:		
(Increase) decrease in prepayments	(1)	4
(Increase) decrease in trade and other receivables	(3,030)	227
Increase in related party loans	20,915	12,929
Increase in trade payables and accruals	1,048	1,056
(Decrease) in provisions	(136)	(1,951)
(Decrease) increase in unearned income	(903)	4,619
Movement in current taxes and deferred taxes	(1,068)	(2,385)
Net cash inflow from operating activities	<u>3,229</u>	<u>3,976</u>

27 Loss per share

Basic earnings per share

	30 June 2012 Cents	30 June 2011 Cents
Loss attributable to the ordinary equity holders of the company	<u>(15.7)</u>	<u>(2.0)</u>
	(15.7)	(2.0)

Diluted earnings per share

	30 June 2012 Cents	30 June 2011 Cents
Loss from continuing operations attributable to the ordinary equity holders of the company	<u>(15.7)</u>	<u>(2.0)</u>
	(15.7)	(2.0)

Reconciliation of losses used in calculating loss per share

	30 June 2012 \$'000	30 June 2011 \$'000
<i>Basic and diluted earnings per share</i>		
Loss for the year	<u>(227,526)</u>	<u>(28,448)</u>
	(227,526)	(28,448)

27 Loss per share (continued)

Weighted average number of shares used as denominator

	30 June 2012 Number	30 June 2011 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share</i>	<u>1,452,932,838</u>	<u>1,437,820,619</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 (Free Cash Flow (FCF) (from 1 July 2011) or earnings before interest, tax, depreciation and amortisation (EBITDA) measure (pre 1 July 2011) and relative total security holder return (TSR) apply to Performance Awards, each representing 50 per cent of the award. The use of dual measures balances the need to both improve the underlying performance of the business over the long term as well as appropriate returns relative to the market.

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

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	EBITDA	FCF					
2012									
1 Nov 2008	1 Nov 2011	3.30	4.27	N/A	1,260,113	-	(1,193,516)	(66,597)	-
11 Dec 2009	11 Dec 2012	3.33	4.97	N/A	1,776,583	-	-	(150,589)	1,625,994
1 Nov 2010	1 Nov 2013	3.23	4.62	N/A	1,401,575	-	-	(200,498)	1,201,077
23 Dec 2010	1 Nov 2013	3.33	4.97	N/A	684,683	-	-	-	684,683
26 Sep 2011	30 Jun 2014	3.37	N/A	4.63	-	837,990	-	(176,058)	661,932
11 Nov 2011	30 Jun 2014	3.27	N/A	4.81	-	715,024	-	-	715,024
Total					5,122,954	1,553,014	(1,193,516)	(593,742)	4,888,710
Weighted average exercise price					\$4.00	\$4.02	\$3.79	\$3.99	\$4.06

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	EBITDA	FCF					
2011									
1 Nov 2008	1 Nov 2011	3.30	4.27	N/A	1,277,630	-	-	(17,517)	1,260,113
11 Dec 2009	11 Dec 2012	3.33	4.97	N/A	1,990,913	-	-	(214,330)	1,776,583
1 Nov 2010	1 Nov 2013	3.23	4.62	N/A	-	1,658,614	-	(257,039)	1,401,575
23 Dec 2010	1 Nov 2013	3.33	4.97	N/A	-	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

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
2012							
1 Nov 2008	1 Nov 2011	4.27	433,722	-	(433,722)	-	-
Total			433,722	-	(433,722)	-	-
Weighted average exercise price			\$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
2011							
1 Nov 2008	1 Nov 2011	4.27	548,650	-	(72,334)	(42,594)	433,722
Total			548,650	-	(72,334)	(42,594)	433,722
Weighted average exercise price			\$4.27	\$-	\$4.27	\$4.27	\$4.27

28 Share-based payments (continued)

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% 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.

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	EBITDA					
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	331,594	-	(143,060)	(188,534)	-
Total				331,594	-	(143,060)	(188,534)	-
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 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	DRIVE mgt fee					
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	-	(107,007)	(140,554)	-
Total				247,561	-	(107,007)	(140,554)	-
Weighted average exercise price				\$4.26	\$-	\$4.26	\$4.26	\$-

28 Share-based payments (continued)

Performance rights plan (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 a geometric Brownian motion process, as used in the Black-Scholes framework) to model Transurban's future security price and TSR performance against the comparator group performance at vesting date. The valuation model takes into account the term of the award, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the award.

The Free Cash component of performance awards has been valued using the Black Scholes framework. The model valuation takes into account the term of the award, the security price at grant date, 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 2011 to 30 June 2012, the cost of company matches was \$114,459 (2011: \$89,885) for the Investment Tax Exempt Plan and \$391,708 (2011: \$304,375) for the Investment Tax Deferred Plan.

The third element under the Plan is the Incentive Plan. Subject to Board approval and the performance of the company, eligible employees may receive a certain number of Transurban securities at no cost to them. In February 2012, each participant was allocated 100 stapled securities at a value of \$5.67 per security. Stapled securities provided under the Plan were acquired on the open market. Eligible US based participants received an equivalent cash award.

	2012	2011
	Number	Number
Shares purchased on the market under the plan and provided to participating employees	42,200	42,200

29 Key management personnel disclosures

Directors

The following persons were Directors of Transurban International Limited during the financial year:

Executive Directors

Christopher Lynch (Resigned 16 July 2012)
Scott Charlton (Appointed 16 July 2012)

Non-executive Directors

Lindsay Maxsted (Chairman)
Neil Chatfield (Appointed 5 January 2012)
Robert Edgar (Appointed 5 January 2012)
Samantha Mostyn (Appointed 5 January 2012)
Robert Officer (Appointed 5 January 2012)
Christine O'Reilly (Appointed 12 April 2012)
Rodney Slater (Appointed 5 January 2012)
Ian Smith (Appointed 5 January 2012)
Jennifer Eve (Resigned 5 January 2012)
James Keyes (Resigned 5 January 2012)

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:

K Daley President, International Development
A Head Group General Manager, New South Wales
S Hogg* Chief Financial Officer
T Honan* Chief Financial Officer
M Kulper President, Transurban North America
E Mildwater Group General Manager, Victoria

(*) - On 2 May 2012, Tom Honan resigned as Chief Financial Officer, and Samantha Hogg was appointed as Chief Financial Officer (previously she was Group General Manager, Corporate Services).

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 2012	30 June 2011
	\$	\$
Short-term employee benefits	12,301,143	12,993,024
Deferred STIs	489,289	-
Post-employment benefits	240,351	326,729
Long-term benefits	115,725	87,049
Termination benefits	-	1,360,993
Share-based payments	4,870,066	4,135,431
	18,016,574	18,903,226

Detailed remuneration disclosures are made in the Directors' report. The relevant information can be found in the remuneration report in the Directors' report.

29 Key management personnel disclosures (continued)

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.

Performance Awards Plan (PAP)

2012	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	1,785,615	715,024	(458,162)	(25,559)	2,016,918	-
Other key management personnel of the Group						
K Daley	223,297	128,294	(63,602)	(3,549)	284,440	-
A Head	181,525	107,766	(44,054)	(2,458)	242,779	-
S Hogg	136,569	101,320	(22,027)	(1,229)	214,633	-
T Honan	545,513	171,058	(220,267)	(496,304)	-	-
M Kulper	401,033	159,286	(137,736)	(7,686)	414,897	-
E Mildwater	186,359	107,766	(27,534)	(1,536)	265,055	-
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 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	-

29 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Stapled security holdings

The number of Stapled Securities held during the financial year by each director of TIL and other key management personnel of the Group, including their personally-related parties, are set out below.

2012	Balance at start of the year	Other changes during the year	Balance at end of the year
<i>Directors of the group</i>			
L Maxsted	30,000	-	30,000
N Chatfield	-	30,910	30,910
R Edgar	-	23,733	23,733
S Mostyn	-	10,300	10,300
R Officer	-	20,115	20,115
C O'Reilly	-	-	-
R Slater	-	-	-
I Smith	-	70,000	70,000
J Eve	-	-	-
J Keyes	-	-	-
C Lynch	255,401	458,162	713,563
<i>Other key management personnel of the Group</i>			
K Daley	384,678	-	384,678
A Head	21,112	(18,071)	3,041
S Hogg	15,616	(14,063)	1,553
T Honan	94,820	(94,820)	-
M Kulper	103,944	(23,944)	80,000
E Mildwater	27,098	28,968	56,066
2011	Balance at start of the year	Other changes during the year	Balance at end of the year
<i>Directors of the group</i>			
L Maxsted	12,000	18,000	30,000
J Eve	-	-	-
J Keyes	-	-	-
C Lynch	254,966	435	255,401
<i>Other key management personnel of the Group</i>			
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

29 Key management personnel disclosures (continued)

Executive Equity Plan (EEP)

2012	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	79,647	-	(79,647)	-	-	-
Other key management personnel of the Group						
K Daley	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)	-	-	-
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 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	-

29 Key management personnel disclosures (continued)

Performance Rights Plan (PRP)

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
<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)	-	-

Other transactions with key management personnel

Ms Jennifer 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 2012	30 June 2011
	AUD	AUD
	\$'000	\$'000
Receivables	363	319
Payables	(4,736)	(2,625)
Net exposure	(4,373)	(2,306)

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 \$251,000 lower (2011: \$146,000 lower) or \$308,000 higher (2011: \$182,000 higher), as a result of foreign exchange gains/losses on translation of Australian dollar denominated financial instruments as detailed in the above table.

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 period, the Group had the following variable rate borrowings outstanding. An analysis of maturities is provided in liquidity risk below:

	30 June 2012		30 June 2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	-%	9,186	-%	6,574
Net exposure to cash flow interest rate risk		9,186		6,574

31 Financial risk management (continued)

Market risk (continued)

Cash flow interest rate risk (continued)

Sensitivity

At 30 June 2012, 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 \$56,000 lower (2011: \$40,000 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.

31 Financial risk management (continued)

Liquidity risk (continued)

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.

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 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives							
Non-interest bearing	10,481	-	-	-	-	10,481	10,481
Fixed rate	255,079	-	-	-	-	255,079	240,868
Total non-derivatives	265,560	-	-	-	-	265,560	251,349
At 30 June 2011	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives							
Non-interest bearing	6,882	-	-	-	-	6,882	6,882
Fixed rate	206,335	-	-	-	-	206,335	194,839
Total non-derivatives	213,217	-	-	-	-	213,217	201,721

There is no liquidity risk exposure to the Group in the current or prior periods other than as shown above.

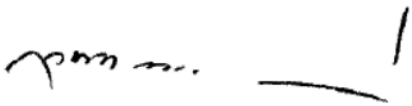
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 265 to 317 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 2012 and of its performance for the year ended on that date, and
- (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 Maxsted
Director



Scott Charlton
Director

Melbourne
7 August 2012



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 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 236 to 261 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

John Yeoman
Partner

Melbourne
7 August 2012

Security holder information

The security holder information set out below was applicable as at 3 August 2012.

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 60,535.

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 80.03 per cent.

The distribution of holders was as follows:

Security grouping	Total holders	Stapled securities	% of issued stapled securities
1 - 1,000	21,564	8,614,941	0.59
1,001 - 5,000	28,082	71,069,657	4.87
5,001 - 10,000	6,778	48,782,501	3.35
10,001 - 100,000	3,895	83,407,678	5.72
100,001 - 999,999,999	216	1,246,446,335	85.47
Total	60,535	1,458,321,112	100.00

There were 4,384 holders of less than a marketable parcel of stapled securities.

There were 1,458,321,112 stapled securities on issue.

20 largest holders of stapled securities

Name	Number of stapled securities held	% of issued stapled securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	422,934,041	29.00
NATIONAL NOMINEES LIMITED	285,045,346	19.55
J P MORGAN NOMINEES AUSTRALIA LIMITED	266,427,289	18.27
CITICORP NOMINEES PTY LIMITED	43,685,631	3.00
COGENT NOMINEES PTY LIMITED	30,195,345	2.07
CITICORP NOMINEES PTY LIMITED	20,224,655	1.39
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	16,025,348	1.10
AMP LIFE LIMITED	13,243,281	0.91
JP MORGAN NOMINEES AUSTRALIA LIMITED	12,118,092	0.83
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	9,963,514	0.68
QUEENSLAND INVESTMENT CORPORATION	7,602,587	0.52
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	6,710,523	0.46
COGENT NOMINEES PTY LIMITED	5,771,213	0.40
COGENT NOMINEES PTY LTD	4,836,208	0.33
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,260,492	0.29
COGENT NOMINEES PTY LIMITED	4,456,126	0.31
DJERRIWARRH INVESTMENTS LIMITED	4,270,000	0.29
UBS NOMINEES PTY LTD	4,242,542	0.29
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,857,858	0.27
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	3,311,375	0.23
Total	1,167,021,501	80.03

Substantial holders

Substantial security holders as at 3 August 2012 were as follows:

Name	Number of stapled securities held	% of issued stapled securities
Treasury Group	123,924,947	8.50
Rare Infrastructure	102,126,158	7.00
Future Fund	98,867,357	6.78

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

6440 General Green Way
Alexandria VA 22312
United States

Phone: +1 571 419 6100

