

**Transurban International Limited and
Controlled Entities**

ARBN 121 746 825

**Financial statements
for the year ended 30 June 2008**

Transurban International Limited ARBN 121 746 825
Financial statements - 30 June 2008

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Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Transurban International Limited ("TIL") and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Accounts

Transurban International Limited forms part of the Transurban Group. Prior to 3 January 2007, Transurban Stapled Securities comprised one share in Transurban Holdings Limited, one unit in Transurban Holding Trust and one share in Transurban Limited. On 3 January 2007 the composition of the Stapled Security was restructured, as approved by security holders at the Group's AGM on 23 October 2006. The restructure involved the removal of shares in Transurban Limited from the triple stapled security, and such shares being replaced by shares in Transurban International Limited.

As Transurban International Limited was incorporated on 6 September 2006 the comparative is for the 10 month period ended 30 June 2007.

Directors

With the exception of the changes noted below, the following persons were directors of Transurban International Limited during the whole of the financial year and up to the date of this report.

Non-executive Directors

David J Ryan AO

James Keyes

Jennifer Eve

Executive Directors

Kimberley Edwards (Resigned 4 April 2008)

Christopher J Lynch (Appointed 18 February 2008)

Principal activities

During the year the Company'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. TIL currently holds a 75 per cent interest in DRIVE.

Dividends

No dividends were declared or paid during the financial year.

Results

The result of operations for the financial year ended 30 June 2008 was an operating loss after tax of \$35.3 million (2007: \$0.2 million).

Review of Operations

The Group commenced its activities during the year. Key achievements were as follows:

Transurban DRIVE First Stage Closure

On 11 September 2007, TIL completed its first capital raising for its North American co-investment vehicle, Transurban DRIVE. CP2 (formerly Capital Partners Global Infrastructure Fund, LLC) committed US\$715.0 million to take a 25 per cent stake in Transurban DRIVE with TIL currently holding the remaining 75.0 per cent.

Immediately following the establishment of Transurban DRIVE, Pocahontas Parkway was sold to the new co-investment vehicle. Total proceeds received by Transurban on the sale amount of \$286.1 million (US\$236.0 million) of which \$205.8 million (US\$169.7 million) was consideration for Pocahontas Parkway and \$80.3 million (US\$66.3 million) was for the repayment of the book value of Affiliated Subordinate Notes.

DRIVE - I-495 / Capital Beltway Project (Virginia, USA)

On 21 December 2007, Transurban DRIVE achieved financial close of an agreement with The Commonwealth of Virginia, being granted a concession to construct and operate High Occupancy Toll ("HOT") Lanes on the Capital Beltway - a ring road that runs around Washington DC.

Review of operations (continued)

Transurban DRIVE will invest US\$315.0 million into the project progressively over five years and will have 90 per cent of the equity in the project.

Funding of the project was finalised on 12 June 2008 with the issuance of US\$589.0 million in tax-exempt Private Activity Bonds ("PABs"). The issue of PABs is in addition to US\$589.0 million subordinated debt committed to the project under the US Department of Transportation's Transportation Infrastructure Finance and Innovation Act ("TIFIA") financing program.

The project is currently in the pre-construction phase with full construction expected to commence in the coming months. Construction is expected to take five years and on completion Transurban will operate the HOT Lanes for 75 years.

DRIVE - Richmond Airport Connector (Virginia USA)

Transurban DRIVE will undertake the construction of the Richmond Airport Connector Road ("ACR") connecting the Pocahontas Parkway to the Richmond International Airport in Virginia, USA. Transurban DRIVE's financial commitment to construct the ACR is capped at US\$45.2 million. Costs in excess of Transurban DRIVE's commitment will be the responsibility of Virginian Department of Transport ("VDOT").

The ACR will be operated as a toll road and upon completion Transurban DRIVE will be the sole Manager/Operator of the road. Construction is expected to commence late 2008 with completion scheduled for early 2011.

I-95 / 395 Virginia Project (Virginia USA)

In October 2006, the Transurban-Fluor Enterprises Consortium signed a development agreement with VDOT to progress with the developments of the 94 kilometre HOV/Bus/HOT lane project in Northern Virginia. A final agreement will be signed with VDOT once Federal environmental approvals have been obtained and financial feasibility has been established. This is not expected before the end of 2009.

Highway 1 and Port Mann Bridge (Vancouver, Canada)

The Group was partnering with Bilfinger Berger Inc. and Canadian Pension Plan Investment Board to bid for the Port Mann/Highway 1 project in Vancouver, Canada. During August 2008 Transurban was notified that the bid was unsuccessful.

Significant changes in the state of affairs

On 19 June 2008, the Group announced that it had made a \$658.8 million (TIL value of \$95.5 million) share placement to Canadian Pension Plan Investment Board at a 7 per cent premium to the then market price. In addition it was announced that distributions beyond August 2008 would be reduced to more closely align to operating cash flow and that the Group would be targeting a reduction of \$20 million out of its ongoing cost structure.

Matters subsequent to the end of the financial year

Other than matters noted above, at the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2008 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 company and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Information on directors

David J Ryan AO, BBus, FCPA, FAICD *Chairman & Independent non-executive director*

David was appointed to the board on 29 April 2003 and has a background in commercial banking, investment banking and operational business management. He has held senior executive management positions in investment banking and industry, as well as being the Chairman or non-executive director of a number of listed public companies.

He is a non-executive director of Lend Lease Corporation Limited and non-executive Chairman of Tooth & Co Limited and ABC Learning Centres Limited.

David was a non-executive director of Sydney Roads Limited (April – June 2007) and a non-executive director of Sydney Roads Management Limited (April - July 2007).

At Transurban he is Chairman of Board, Chairman of Nomination Committee and Member of Audit Committee and Remuneration Committee.

David holds interests in 57,300 stapled securities.

Christopher J Lynch B Comm, MBA, FCPA, FAICD *Chief Executive Officer*

Chris joined Transurban Group as CEO Elect in February 2008 and was appointed to the board on 18 February 2008. He became CEO in April 2008. Chris came to the Group from one of the world's largest resources and mining companies, BHP Billiton. He held a series of senior appointments there, including five years as Chief Financial Officer. His last position at BHP Billiton was Executive Director and Group President - Carbon Steel Materials. Prior to his time at BHP Billiton the bulk of Chris' career was with Alcoa Inc where he was Vice President and Chief Information Officer (1999-2000), CFO Europe (1997-1999), Managing Director KAAL Australia Limited (1996-1997), and before that a series of financial leadership roles. Chris has experience in senior leadership roles in global corporations operating across multiple markets and the development and operation of major projects with large up-front capital requirements.

Chris is also a Commissioner of the Australian Football League, and a former director of BHP Billiton Limited (January 2006 to June 2007), BHP Billiton Plc (January 2006 to June 2007), Samancor Limited (January 2006 to June 2007), and Samarco Limited (January 2006 to June 2007).

Chris holds interests in 152,800 stapled securities.

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

James joined the board of TIL on 18 September 2006 and is a Partner and the Local Team Leader of the Funds and Investment Services Team at Appleby (Legal firm within Bermuda). He has practiced as a lawyer for over 15 years in the area of mutual funds, corporate finance and securities.

James holds no Stapled Securities or other directorships.

Jennifer Eve BA, LLB (Hons) LLM *Independent non-executive director*

Jennifer joined the board of TIL on 18 September 2006 and is an Associate and member of the Funds and Investment Services Team at Appleby (Legal firm within Bermuda). She practices in the area of company and commercial law, specialising in the formation and administration of corporate vehicles.

Jennifer holds no Stapled Securities or other directorships.

Company secretaries

Elizabeth Mildwater BEc, LLB (Hons), MA, GAICD

Elizabeth was appointed Company Secretary on 20 May 2008. Before joining Transurban she was Company Secretary of SP AusNet for three years. She has over 15 years of legal, company secretarial and other relevant experience, including significant in-house legal and company secretarial experience in the electricity transmission and project development areas. Prior to her in-house work, she was a solicitor with Australian law firms Blake Dawson Waldron and Freehills.

Brett Burns BCom, LLB

Brett is General Counsel, Australia for the Transurban Group. Brett is responsible for all Australian legal matters and also provides support to the North American business and Company Secretariat. Brett has worked with the Transurban Group for the past seven years, initially as an external legal adviser and then joining the Transurban Group in 2003.

Paul O'Shea BEc, LLB, FCIS

Until his resignation in July 2008, Paul was Company Secretary and Group General Counsel. He was originally appointed General Counsel in March 1996. He had responsibility for legal advice, the Group's risk management strategy and direction and insurance. Before joining Transurban he held a senior legal role at Transfield for 18 months during the bid for CityLink.

Company secretaries (continued)

Juliet Evans

Juliet Evans is a Corporate Administrator on the Funds and Investment Services team at Appleby Corporate Services. She holds the ICSA Certificate in Offshore Business Administration and has six years of experience in the corporate administration field. Juliet is Company Secretary of Transurban International Limited.

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 2008, and the numbers of meetings attended by each director were:

	A	B
David J Ryan ⁽¹⁾⁽³⁾	7	7
Kimberley Edwards (Resigned 4 April 2008) ⁽²⁾	6	7
James Keyes	5	7
Jennifer Eve	5	7
Christopher J Lynch (Appointed 18 February 2008) ⁽²⁾	1	1

A = Number of meetings attended

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

⁽¹⁾Mr Ryan was appointed to the Remuneration Committee with effect from 20 May 2008. Prior to his appointment, Mr Ryan attended meetings during the year.

⁽²⁾Each of Mr Edwards and Mr Lynch were excluded from discussions involving their remuneration during meetings of the Remuneration Committee which they attended.

⁽³⁾Mr Ryan is not a member of the Risk Committee but attended meetings during the year.

The committee meetings are held in conjunction with the committee meetings of Transurban Holdings Limited and Transurban Infrastructure Management Limited as Responsible Entity of Transurban Holding Trust, the other two parties of the Transurban Stapled Security.

Name	Audit Committee		Remuneration Committee		Nomination Committee ⁽¹⁾		Risk Committee		Sustainability Committee	
	A	B	A	B	A	B	A	B	A	B
	David J Ryan ⁽²⁾⁽⁴⁾	4	4	5	1	*	*	3	*	*
Kimberley Edwards ⁽³⁾	3	3	*	*	*	*	2	*	*	*
James Keyes	*	*	*	*	*	*	*	*	*	*
Jennifer Eve	*	*	*	*	*	*	*	*	*	*
Christopher J Lynch ⁽³⁾	3	3	*	*	*	*	2	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Not a member of the relevant committee

⁽¹⁾ - All decisions of the Nomination Committee, including the appointment of a new Chief Executive Officer and the new non-executive Director, during the reporting period were made by the full Board.

⁽²⁾ - Mr Ryan was appointed to the Remuneration Committee with effect from 20 May 2008. Prior to his appointment, Mr Ryan attended meetings during the year.

⁽³⁾ - Each of Mr Edwards and Mr Lynch were excluded from discussions involving their remuneration during meetings of the Remuneration Committee which they attended.

⁽⁴⁾ - Mr Ryan is not a member of the Risk Committee but attended meetings during the year.

Effective from 1 July 2007, the Nomination and Remuneration Committee divided into two separate committees, being the Nomination Committee and the Remuneration Committee

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*

A Principles used to determine the nature and amount of remuneration

Non-Executive Directors

The remuneration of non-executive directors consists of director's fees and committee fees. Non-executive directors are not currently provided with any form of equity-based compensation.

The constitutions of the entities comprising the Transurban Group ("the Group") provide that the total remuneration paid in a year to non-executive directors may not exceed \$2.1 million in total for the Group.

Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 29 October 2007.

In September 2005, the Board resolved to discontinue previously provided retirement benefits for all participating non-executive directors with effect from 30 September 2005 such that future directors were not entitled to this benefit. The value of benefits accrued up to this date attracts interest at the statutory Fringe Benefits rate. The accrued 'frozen' retirement benefits plus interest will be paid to directors upon their retirement

Extension of Employee Security Ownership Plan to Non-Executive Directors

The remuneration of Transurban non-executive directors (NEDs) consists of director's fees and committee fees. Non-executive directors are not currently provided with any form of equity-based compensation. Transurban Group is seeking to provide additional flexibility to the existing NED remuneration offering and further align security holder interests. To this end, the Board has approved the extension of the Employee Security Ownership Plan to the NEDs. Under the approved arrangement, the NEDs are able to sacrifice a portion of their director fees to acquire Transurban securities through a tax deferred arrangement. This arrangement is in line with the Group's overall remuneration philosophy and market practice. The Board will be seeking security holder approval at its Annual General Meeting (AGM) to be held on 27 October 2008.

Executive Directors and Executives

Transurban's remuneration philosophy is to attract, retain, motivate and reward employees who are critical to the continued growth and success of the Group. The Group's reward framework is designed to:

- offer competitive remuneration benchmarked against the external market;
- provide strong and transparent linkages between individual and group performance and rewards;
- reward and motivate employees to the highest levels of performance; and
- align employee incentives with increased security holder value.

In consultation with external remuneration consultants, the Group's executive reward framework is structured to reward both longer term growth and the achievement of short term performance targets through a combination of base salary and benefits, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI") in the form of share based payments.

The proportion of each component of an executive's total remuneration is established by reference to remuneration survey data for comparable companies. As executives progress in seniority, the proportion of remuneration which is dependent on the performance of the entity increases.

The incentive component of executive remuneration is determined by:

- financial performance relative to short-term profitability targets;

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

- business achievements through the achievement of Group key result areas ("KRAs") which includes both financial and non-financial performance targets;
- project successes;
- total security holder return relative to other companies in the ASX Industrials index; and
- individual performance as measured by the achievement of key performance indicators ("KPIs") and the upholding of Group values.

The remuneration of the Chief Executive Officer (CEO) is established by the Board, based on the recommendation of the Remuneration Committee. The remuneration of senior executives reporting to the CEO is established by the Remuneration Committee, based on the recommendation of the CEO.

The components of executive remuneration are as follows:

Base Pay

Base pay represents the fixed component of executive remuneration and is structured as a Total Employment Cost ("TEC"). TEC consists of a mix of cash, superannuation and prescribed benefits. An executive's TEC is reviewed annually against market data for comparable roles. There are no guaranteed base pay increases fixed in any executive's contract of employment.

Benefits

Executives receive benefits including death and disability insurance, salary continuance insurance and car parking.

Short-term Incentives

On an annual basis, the Group makes available Short-term Incentive payments to executives for the achievement of Group and individual performance KPIs. A target STI amount, expressed as a percentage of the executive's TEC, is specified for each executive and is subject to further adjustment for:

- The extent to which the Group has met its KRAs; and
- The extent to which the executive has achieved his/her individual KPIs

Such adjustments can result in the actual STI payment received by the executive being above or below the targeted STI amounts. STI payments are made annually in August following annual performance reviews.

Each year, KRAs for the Group are established by the Board, based on recommendations made by the CEO. The KPIs for the CEO are established by the Board based on recommendations made by the Remuneration Committee. KPIs for executives reporting to the CEO are established by the CEO.

The Remuneration Committee is also responsible for assessing the extent to which KRAs and the KPIs set for senior executives have been achieved. To assist in making these assessments, the Committee receives reports from the Chief Finance Officer (CFO) and the CEO.

To ensure that incentives remain relevant, the Board reviews the financial and non-financial targets on an annual basis.

Long-term incentives

On an annual basis, the Group makes available LTI allocations to executives. Two forms of LTIs were in operation during the reporting period. The Executive Loan Plan ("ELP") rewards the improvements in the price of stapled securities over a three year period utilising Total Shareholder Return ("TSR") as a performance measure. The Performance Rights Plan ("PRP") grants executives with a number of stapled securities at no cost to them, subject to the achievement of performance conditions at the end of a three year vesting period. An operational performance indicator and TSR are utilised as performance measures under the plan.

Executives based outside Australia are eligible to participate in a cash based plan similarly structured to the ELP and PRP.

Employee Security Ownership Plan

Executives may elect to participate in the Employee Security Ownership Plan on the same basis as that offered to permanent employees.

Business Generation Incentive Plan

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

The Group also operates a Business Generation Incentive Plan ("BGIP") in which executives may participate, depending upon their level of involvement in generating new business. The BGIP provides for cash bonuses to be paid from a bonus pool determined by the risk adjusted net present value of a project or business venture.

The BGIP is intended to reward executives for successful business generation activities, based on the increase in security holder value derived from new business. BGIP payments are determined and awarded by the Board, on the recommendation of the Remuneration Committee and the CEO.

Key Characteristics of Transurban's Business Generation Incentive Plan ("BGIP") Rewards are:

- based on success, not effort;
- based on the added value of new business;
- determined by a risk adjusted market value analysis; and
- distributed based on contribution.

B Details of remuneration

Details of the remuneration of the directors, key management personnel of the Group (as defined in AASB 124 Related party Disclosures) and specified executives of the Group are set out in the following tables.

The key management personnel of Transurban International Limited includes the directors (refer to pages 3) and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- C Brant - Chief Finance Officer (until his departure on 29 August 2008)
- B Bourke - Chief Operating Officer
- P O'Shea - Group General Manager Legal and Risk Management (until his departure on 14 July 2008)
- G Mann - Group General Manager Development (until his departure on 23 November 2007)
- D Cardiff - Group General Manager Human Resources
- K Daley - Executive Vice President International Development
- M Kulper - President Transurban North America

Remuneration report (continued)

B Details of remuneration (continued)

Key management personnel of Transurban International Limited

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 the reflect TIL's portion.

12 months to 30 June 2008	Short-term employee benefits				Post-employment benefits			Share-based payments		Total
	Cash salary and fees	Value equities acquired in lieu of cash salary/fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Long Service Leave	Termination Benefits	Executive Loan Plan (a)	Performance Rights Plan(b)	
Name	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>										
D Ryan	385,484	-	-	-	34,694	-	-	-	-	420,178
J Keyes	10,000	-	-	-	-	-	-	-	-	10,000
J Eve	10,000	-	-	-	-	-	-	-	-	10,000
<i>Executive directors</i>										
K Edwards ⁽³⁻⁵⁾	1,289,868	-	9,218,000	-	100,000	86,233	5,249,395	529,631	191,405	16,664,532
C Lynch ⁽¹⁾⁽²⁾	821,020	1,000,000	2,000,000	3,763	15,000	-	-	-	-	3,839,783
<i>Other key management personnel (Group)</i>										
C Brant ⁽⁸⁾	689,552	-	702,000	9,020	61,953	17,231	571,891	133,138	104,776	2,289,561
B Bourke ⁽¹⁾	633,182	750,000	557,300	8,480	51,627	28,478	-	119,075	97,292	2,245,434
D Cardiff	270,889	-	250,000	-	50,433	15,977	-	28,835	28,737	644,871
K Daley	454,420	-	1,416,200	-	100,000	29,482	-	(124,921)	42,641	1,917,822
G Mann ⁽⁶⁾	236,090	-	-	-	6,470	-	643,191	49,386	8,217	943,354
M Kulper	478,842	-	2,616,927	-	38,700	22,401	-	(142,201)	41,668	3,056,337
P O'Shea ⁽⁷⁾	409,910	-	586,000	9,020	96,190	(8,124)	495,580	93,202	82,323	1,764,101
Total	5,689,257	1,750,000	17,346,427	30,283	555,067	191,678	6,960,057	686,145	597,059	33,805,973

- (a) The amounts disclosed as remuneration is that part of the value of the Executive Loan Plan benefit which is attributable to the current year portion of the vesting period.
- (b) The amounts disclosed as remuneration is that part of the value of the Performance Rights Plan benefit which is attributable to the current year portion of the vesting period.
- (1) Mr C Lynch and Mr B Bourke elected to receive part of their fixed remuneration in Transurban securities which were purchased on market.
- (2) Mr C Lynch joined the Group on 4 February 2008 as CEO elect and subsequently became CEO on April 5.
- (3) Mr K Edwards was the Managing Director from the beginning of the reporting period until his retirement on 4 April 2008.
- (4) Mr K Edwards' cash bonus comprises a short term incentive payment of \$1,000,000, a Strategic Milestone Incentive Plan bonus of \$5,000,000 and a Business Generation Plan Incentive of \$3,218,000.
- (5) Mr K Edwards' termination payment includes the following contractual and statutory payments: \$2,470,000 being 1.3 times of fixed remuneration, \$2,139,194 being all statutory leave entitlements and notice of lieu of unexpired portion of his employment contract (from 5 April 2008 to 21 February 2009), and \$640,200 being cash payment in lieu of the expiration of long term incentives.
- (6) Mr G Mann was the Group General Manager from the beginning of the reporting period until his resignation on 23 November 2007. His termination payment includes a statutory payment of \$43,191 and termination payment of \$600,000.
- (7) Mr P O'Shea was the Group General Manager Legal and Risk Management from the beginning of the reporting period until his departure on 14 July 2008. Mr P O'Shea's termination payment totalled \$495,580.
- (8) Mr C Brant was the Chief Finance Officer until his departure on 29 August 2008. Mr C Brant's termination payment totalled \$571,891.

Remuneration report (continued)

B Details of remuneration (continued)

Key management personnel of Transurban International Limited

12 months to 30 June 2007	Short-term employee benefits			Post-employment benefits		Share-based payments		Total
	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits (2)	Executive Loan Plan (3)	Long term Incentive Plan (4)	
Name	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>								
D Ryan	235,191	-	-	21,167	-	-	-	256,358
L Cox ⁽¹⁾	204,511	-	-	70,075	40,969	-	-	315,555
J Keyes	9,249	-	-	-	-	-	-	9,249
J Eve	9,249	-	-	-	-	-	-	9,249
<i>Executive directors</i>								
K Edwards	1,495,520	1,600,000	8,330	105,113	-	264,409	376,710	3,850,082
<i>Other key management personnel</i>								
C Brant	561,683	550,000	8,330	49,641	-	105,941	80,051	1,355,646
B Bourke	515,792	500,000	8,330	45,510	-	94,214	75,342	1,239,188
P O'Shea	325,454	450,000	8,330	105,124	-	73,008	56,506	1,018,422
G Mann	465,415	250,000	8,330	85,000	-	98,935	-	907,680
K Daley	343,343	350,000	-	105,113	-	102,046	56,506	957,008
M Kulper	425,000	350,000	-	55,519	-	114,379	-	944,898
Total	4,590,407	4,050,000	41,650	642,262	40,969	852,932	645,115	10,863,335

(1) L G Cox was chairman and a non-executive director from the beginning of the period until his resignation on 28 February 2007. Mr Cox was paid a retirement benefit of \$0.9 million.

(2) Retirement benefits were frozen for all participating non-executive directors at their current levels up to 30 September 2005. Interest accrues on directors entitlement balances at 7.05 per cent per annum.

(3) The amounts disclosed as remuneration is that part of the value of the Executive Loan Plan benefit which is attributable to the current year portion of the vesting period.

(4) The amounts disclosed as remuneration is that part of the value of the Long Term Incentive Plan benefit which is attributable to the current year portion of the vesting period.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk -STI		At risk - LTI	
	12 months to 30 June 2008	10 months to 30 June 2007	12 months to 30 June 2008	10 months to 30 June 2007	12 months to 30 June 2008	10 months to 30 June 2007
Executive Directors of the Group						
C Lynch	34%	-	33%	-	33%	-
K Edwards (Resigned 4 April 2008)	50%	56%	25%	25%	25%	19%
Other key management personnel of Group						
C Brant	50%	58%	25%	18%	25%	24%
B Bourke	50%	58%	25%	18%	25%	24%
D Cardiff	60%	-	20%	-	20%	-
K Daley	50%	62%	25%	19%	25%	19%
G Mann	50%	58%	25%	18%	25%	24%
M Kulper	50%	62%	25%	19%	25%	19%
P O'Shea	50%	58%	25%	18%	25%	24%

Remuneration report (continued)

C Service agreements

Remuneration for the CEO and the key management personnel are formalised in service agreements. Each of these agreements provides for access to performance-related cash bonuses and other benefits including death and disability insurance, salary continuance insurance and car parking. Although not specified in agreements, executives are eligible to participate in executive long term incentive plans (or equivalent cash plans for those executives located outside Australia) and the Business Generation Incentive Plan. Other major provisions of the agreements, relating to remuneration, are set out below:

Mr C Lynch, CEO

Mr C Lynch joined the Group on 4 February 2008 as CEO elect and subsequently became CEO on April 5. The key terms of the CEO's employment arrangement are in line with the Group's remuneration philosophy and market practice and are as follows:

- fixed remuneration including base salary and superannuation on commencement of \$2,000,000 to be reviewed prior to 30 June 2009 and then prior to 30 June in each subsequent year;
- a sign on award to the total value of \$1,000,000 received in the form of the Group's equity on commencement;
- a cash payment of \$2,000,000 being 100 per cent of the CEO's fixed remuneration is to be made in September 2008 in lieu of Mr C Lynch's ineligibility for consideration for a STI payment for the 2008 financial year. In each subsequent year, the STI payment will be the greater of actual performance based on the achievement of the business and personal KPI or 50 per cent of annual TEC;
- a minimum long term incentive allocation (in a form of Performance Rights Plan) of 50 per cent of TEC is to be granted on 1 November 2008. In each subsequent year, the allocation will be up to 100% of TEC. These LTIs will be subject to performance conditions and will vest three years from grant date;
- the CEO's LTI allocation will be derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations. The number of LTIs will be derived by dividing the CEO's remuneration value by this valuation. For example, if the valuation at 1 November 2008 is \$5.00, the CEO's allocation of \$2,000,000 will be divided by this valuation to provide him with a total of 400,000 performance rights;
- term of Agreement – permanent, subject to six months notice of termination; and
- upon termination, the CEO is entitled to retain any unvested LTIs, which will vest in accordance with the performance conditions under the PRP as at the time of the allocation.

Mr K Edwards, Managing Director

The details of Mr K Edwards's service agreement up to his retirement on 4 April 2008 are as follows:

- fixed remuneration including base salary and superannuation, for the year ending 30 June 2008 of \$1,900,000 to be reviewed annually by the Remuneration Committee and the Board;
- a Short Term Incentive Payment of \$1,600,000 being 100 per cent of his total employment cost for the year ending 30 June 2007.
- a Long Term Incentive allocation for financial year 2008 under the terms and conditions of the new Performance Rights Plan (described in Section D) equal to \$1,000,000 (or approximately 50 per cent of TEC) was offered 1 November 2007 with Stapled Securities to be acquired on market.
- the Managing Director's allocation will be derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. By dividing the Managing Director's remuneration value by this adjusted valuation, the number of Stapled Securities will be derived.
- term of Agreement – permanent, subject to 6 months' notice of termination;
- the payment of 1.3 times of fixed remuneration upon termination

Remuneration report (continued)

C Service agreements (continued)

Other Key Management Personnel

All other key management personnel have permanent service agreements that are subject to six months notice of termination. Total Employment Cost ("TEC") for these executives is reviewed annually by the Remuneration Committee and approved by the Board.

In addition to the above terms and conditions, the following Key Management Personnel service agreements include the following:

Mr K Daley

- A Strategic Milestone Incentive Plan payment of \$1,000,000 effective 30 June 2010.
- Access to any unvested long term incentives (pro-rated based on time served) subject to stipulated performance criteria.

Mr M Kulper

- A bonus equalling 2.0 per cent of any success fees paid to Transurban at Financial Close on Project I95, and 0.5 per cent of the amount of equity and/or other securities subscribed to the I95 project by Transurban and/or funds managed by Transurban. This bonus agreement will stay in force until 30 June 2009 unless otherwise extended by the Board.

D Share-based compensation

Performance Rights Plan ("PRP")

In the May 2006 Budget, the Federal Government announced its intention to extend the employee share scheme and related capital gains tax provisions to stapled securities that include an ordinary share and are listed on the Australian Security Exchange, with effect from 1 July 2006. Given this announcement, Transurban undertook a review of its Employee Equity Plans to ensure that they remained relevant and aligned to the interests of stapled security holders and remained operable under the constitution of the Transurban Holding Trust. As a result, the Transurban Board endorsed a new Performance Rights Plan which was introduced in November 2007.

Under the PRP, Executives are granted performance rights to acquire, at no cost to them, an allocated number of stapled securities, subject to the achievement of performance conditions at the end of a three year vesting period. Two performance measures are utilised, one linked to Total Shareholder Return over a three year vesting period and the second, an operational performance measure over the same period. Each performance measure applies to 50% of the performance awards. The Plan has been structured so that rewards are only obtained if there are materially improved security holder returns and operational performance results over the three year vesting period.

There is only one testing date. The right to Stapled Securities cannot be transferred, exercised or otherwise dealt with during the vesting period. No dividends or distributions are payable in respect of the stapled securities subject of the Plan during the vesting period.

Stapled securities vest in the executive if:

- the executive is employed by the Transurban Group for at least three years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide; and
- the performance hurdles relevant to the offer are met.

The scheme also allows for post employment vesting at the discretion of the Board.

Performance Hurdle - TSR

The TSR performance hurdle involves a comparison of Transurban's listed stapled securities with the TSR of each other company (Comparator Company) in the S&P / ASX 100 Industrials (or similar or replacement index) for the whole period of comparison. The period of comparison (Performance Hurdle Test Period) will be three years.

TSR measures total return on investment of a security. It takes into account both capital appreciation and distributed income. It assumes a notional reinvestment of distributions paid on the security (on a pre-tax basis) in additional securities, at the market price on the day before the securities begin trading ex the relevant distribution.

Transurban and each of the Comparator Companies will be ranked according to their respective TSRs over the Performance Hurdle Test Period.

Remuneration report (continued)

D Share-based compensation (continued)

This ranking determines the extent to which 50 per cent of Stapled Securities will vest.

- If Transurban's TSR is ranked at or below the 50th percentile, none of the stapled securities will vest.
- If Transurban's TSR is ranked at or above the 75th percentile, 100 per cent of the stapled securities under this measurement will vest.
- 50 per cent of rights under this measure vest if the TSR is greater than the 50th percentile, with linear vesting between the 50th percentile and 75th percentile for the remaining 50 per cent.

Performance Hurdle - Operational Performance

The operational performance measure based on Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) growth and is as follows:

- 50 per cent of rights under this measurement vest if there is ten per cent compound EBITDA annual growth over the vesting period from the base year;
- 100 per cent of rights under this measurement vest if there is fifteen per cent compound EBITDA annual growth over the vesting period from the base year;
- linear vesting if ranking is between the two annual compound growth targets.

Allocation of PRP Units

The allocation of PRP units will be determined by the following: a remuneration value will be determined for each participant relative to their total employment cost. These values are referenced to external market benchmarks.

The number of rights an executive was entitled to was derived by using an option valuation methodology, such as the Black Scholes with Monte Carlo simulations, which took into account performance and other conditions. The remuneration value was then divided by this adjusted valuation to derive the number of rights allocated.

The terms and conditions of each grant of PRP affecting remuneration in this reporting period are as follows:

Performance Criteria	Grant date	Vesting date	Fair value of rights at grant date	Spot price at grant date
TSR	1 Nov 2007	1 Nov 2010	\$3.50	\$7.29
EBITDA	1 Nov 2007	1 Nov 2010	\$5.96	\$7.29

Remuneration report (continued)

D Share-based compensation (continued)

Details of rights provided to each director of Transurban International Limited and other key management personnel of the Group are set out below.

	Number of performance rights granted 2008
Directors of Transurban International Limited	
C Lynch	-
K Edwards	285,714
Other key management personnel	
C Brant	100,000
B Bourke	92,857
D Cardiff	27,428
P O'Shea	78,571

Performance Rights Plan for overseas based Executives

Executives based outside Australia are eligible to participate in a cash based plan similarly structured to the PRP.

The terms and conditions of each grant of cash based PRP affecting remuneration in this reporting period are as follows:

Performance criteria	Grant date	Vesting date	Fair value of rights at grant date	Spot price at grant date	Fair value of rights at reporting date
TSR	1 Nov 2007	1 Nov 2010	\$3.50	\$7.29	\$1.32
EBITDA	1 Nov 2007	1 Nov 2010	\$5.96	\$7.29	\$3.58

Details of rights provided to each director of Transurban Holdings Limited and other key management personnel of the Group are set out below.

	Number of performance rights granted 2008
Other key management personnel	
K Daley	78,571
M Kulper	76,778

Executive Loan Plan ("ELP")

The Executive Loan plan ("ELP") was offered in the 2006 and 2007 financial years and was structured as a performance loan plan rewarding material improvements in Transurban's securityholder returns.

Executives participating in the ELP are provided with an interest free loan to assist them to acquire stapled securities at market price. The term of the loan is three years and there is only one testing date. The stapled securities are held by the executive but will only vest in the executive in accordance with the terms of the Plan. Expiry occurs three years plus 60 days from the date of commencement of the Plan, unless the rules of the Plan otherwise provide. Holding locks are applied to the Stapled Securities to ensure that they can only be dealt with in accordance with the terms of the Plan. The acquired shares cannot be transferred or sold while the loan is outstanding.

Stapled securities vest in the executive if:

- the executive is employed by the Transurban Group for at least three years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide; and
- the performance hurdle relevant to the offer is met.

Remuneration report (continued)

D Share-based compensation (continued)

The performance hurdle involves a comparison of Total Shareholder Returns (TSR). The TSR of Transurban's listed stapled securities is compared with the TSR of each other company (Comparator Company) in the S&P / ASX 100 Industrials (or similar or replacement index) for the whole period of comparison. The period of comparison (Performance Hurdle Test Period) is the three years post the offer date of the Plan.

Transurban and each of the Test Companies will be ranked according to their respective TSRs over the Performance Hurdle Test Period. This ranking determines the extent to which stapled securities will vest as follows:

- If Transurban's TSR is ranked at or above the 75th percentile, 100 per cent of the stapled securities will vest.
- If Transurban's TSR is ranked above the 50th percentile but below the 75th percentile, the percentage of stapled securities ("P") that will vest will be that calculated according to the following formula:

$$P = 50 + 2 \times (R_{\text{Transurban}} - 50)$$

Where: $R_{\text{Transurban}}$ = The percentile rank of Transurban's TSR.

- If Transurban's TSR is ranked at or below the 50th percentile, none of the stapled securities will vest.

If the Stapled Securities vest in the executive:

- Then the executive can either pay the amount of the loan which needs to be repaid and which is attributable to those vested Stapled Securities, in which case they will be free to deal with those Stapled Securities as they see fit; or
- The Group will otherwise sell the vested securities and apply for the proceeds of sale in discharge of the amount of the loan which is repayable attributable to those Stapled Securities, with any surplus to be provided to the executive.

Any unvested Stapled Securities will be sold by the Group and the proceeds of sale will be applied in reduction of the repayable amount of the loan attributable to those unvested securities, with the executive having no entitlement to the surplus.

If an executive leaves the employment of the Transurban Group those unvested securities will lapse and will be sold with the proceeds being applied in repayment of the repayable portion of the loan.

All dividends and distributions payable in respect of the stapled securities acquired under the Plan, net of deductions for tax, are applied in reduction of the outstanding loan balance.

The allocation of ELP units was determined by the following:

A remuneration value was determined for each participant relative to their total employment cost. These values were referenced to external market benchmarks.

- The number of stapled securities an executive was entitled to was derived by using an option valuation methodology, such as the Black Scholes with Monte Carlo simulations, which took into account the fact that the loan will need to be repaid along with performance and other conditions. The remuneration value was then divided by this adjusted valuation to derive the number of stapled securities allocated;
- The stapled securities were acquired and transferred to each participant;
- The purchase price per stapled security was the average market price of stapled securities weighted by reference to volume over the week leading up to and including the grant date of the Plan; and
- The amount of the loan provided to a participant was equal to the purchase price per stapled security multiplied by the participant's stapled securities entitlement.

Details of securities provided to each director of Transurban Holdings Limited and other key management personnel of the Group are set out below. No securities have been granted under this Plan since 1 November 2006.

Remuneration report (continued)

D Share-based compensation (continued)

	Number of securities granted 2008	Number of securities granted 2007
Directors of Transurban International Limited		
C Lynch	-	-
K Edwards (Resigned 4 April 2008)	-	410,000
Other key management personnel of the Group		
C Brant	-	175,000
B Bourke	-	160,000
P O'Shea	-	130,000
G Mann	-	160,000
D Cardiff	-	35,000

The terms and conditions of each grant of units affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Grant price	Value per option at grant date
1 Nov 2005	1 Nov 2008	\$6.47	\$1.35
1 Nov 2006	1 Nov 2009	\$7.28	\$1.37

Executive Loan Plan for Executives Located Overseas

An Executive Long Term Incentive Cash Plan mirroring that of the Executive Loan Plan is used for participants outside Australia. Details of ELTI units provided to each director of Transurban Holdings Limited and other key management personnel of the Group are set out below. No ELTIs have been granted under this Plan since 1 November 2006.

	Number of securities granted 2007
K Daley	100,000
M Kulper	100,000

No securities were granted in 2008.

The terms and conditions of each grant of units affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Grant price	Value per unit at grant date	Value per unit at reporting date	Date payable
1 Nov 2005	1 Nov 2008	\$6.47	\$1.35	-	1 Nov 2008
1 Nov 2006	1 Nov 2009	\$7.28	\$1.37	-	1 Nov 2009

Employee Security Ownership Plan ("ESOP")

Two new broad employee based security plans, the Investment Tax Exempt Plan and the Investment Tax Deferred Plan were introduced following the Federal Governments announcement regarding taxation changes concerning stapled securities.

The Investment Tax Exempt Plan provides employees the opportunity to invest, on a tax exempt basis, up to one thousand dollars per annum, of which half is contributed by the company.

The Investment Tax Deferred Plan provides employees the opportunity to purchase securities, on a tax deferred basis using pre-tax salary. There is no cap on the amount of salary an employee may elect to contribute and the company provides a matching contribution on a dollar for dollar basis to a maximum of three thousand dollars per annum.

Subject to Board approval and the performance of the company, an allocation of Incentive securities at no cost to eligible permanent employees is made. In 2008 an allocation of 100 securities was made to 505 employees.

Remuneration report (continued)

E Additional information

Performance of Transurban Group

As outlined in the Long Term Incentive section of this report, the reward delivered under the long-term incentive component of executive remuneration is dependent on either TSR performance or EBITDA Growth.

The table below summarises the actual and prospective relative TSR performance over the Performance Period to date in respect of unvested long term incentives. The data is indicative of results as if tested on 30 June 2008.

Long term Incentive plan	Company TSR as at 30 June 2008	indicative percentile Rank	Indicative Number of Rights Vesting⁽¹⁾
Executive Loan Plan 2006	(16.4)%	37.1%	-
Executive Loan Plan 2007	(30.7)%	34.2%	-
Performance Rights Plan 2008	(35.4)%	43.6%	-

⁽¹⁾All Performance Rights vest where the Group's relative TSR is at 75th percentile (i.e. where TSR is higher than 75% of the peer group).

The table below illustrates the Company's annual compound growth in EBITDA for Rights granted under the Performance Rights Plan with a 10% and 15% hurdle of annual compound growth.

Long term Incentive plan	Company Compound EBITDA growth as at 30 June 2008	Indicative Number of Rights Vesting⁽¹⁾
Performance Rights Plan 2008	1.2%	-

⁽¹⁾All Performance Rights vest where the Group's compound EBITDA growth is above 15%. No rights vest if it is below 10%.

Cash Bonuses and Long Term Incentives

Cash bonuses

Remuneration of the Group's executives includes a short term incentive (STI) component and each executive has the potential to receive 100 per cent (and over, depending on out performance) of his or her target STI payment. The actual STI payment received by each executive is determined by the extent to which the executive's KPIs are met.

Cash bonuses aggregating \$7.5 million were accrued under the Business Generation Incentive Plan in relation to the achievement of the Capital Beltway project in the US. Cash bonuses aggregating \$1.055 million were accrued under the Business Generation Incentive Plan in relation to the achievement of the DRIVE project in the US. The project was to create a more efficient vehicle for international investment.

For each cash bonus paid to the key management personnel listed in the above tables, the percentage of the available bonus that was paid in the financial year and the percentage that was forfeited because the person did not meet his or her performance criteria are set out below. No part of the cash bonuses are payable in future years.

	Cash bonus	
	Paid	Forfeited
	%	%
C Lynch	100	-
K Edwards	100	-
C Brant	96	4
B Bourke	96	4
D Cardiff	260	-
K Daley	99	1
M Kulper	99	1
P O'Shea	97	3

Remuneration report (continued)

E Additional information (continued)

Long Term Incentive Units

Further details relating to long term incentives are set out below.

Name	A Remuneration %	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$
K Edwards – Executive Loan Plan 2006	29	437,500	188,440	-
K Edwards – Executive Loan Plan 2007	35	560,000	308,244	32,947
K Edwards – Performance Rights Plan 2008	50	1,000,000	-	191,405
C Brant – Executive Loan Plan 2006	30	165,000	-	-
C Brant – Executive Loan Plan 2007	40	240,000	-	-
C Brant – Performance Rights Plan 2008	50	350,000	-	-
B Bourke – Executive Loan Plan 2006	30	142,500	-	-
B Bourke – Executive Loan Plan 2007	40	220,000	-	-
B Bourke – Performance Rights Plan 2008	50	325,000	-	-
D Cardiff – Executive Loan Plan 2006	20	40,000	-	-
D Cardiff – Executive Loan Plan 2007	20	44,000	-	-
D Cardiff – Performance Rights Plan 2008	30	96,000	-	-
K Daley – Executive Loan Plan 2006	30	103,950	-	-
K Daley – Executive Loan Plan 2007	30	126,000	-	-
K Daley – Performance Rights Plan 2008	50	275,000	-	-
G Mann – Executive Loan Plan 2006	20	67,000	-	20,213
G Mann – Executive Loan Plan 2007	30	108,000	-	29,173
G Mann – Performance Rights Plan 2008	40	160,000	-	8,217
M Kulper – Executive Loan Plan 2006	20	36,080	-	-
M Kulper – Executive Loan Plan 2007	30	135,000	-	-
M Kulper – Performance Rights Plan 2008	50	268,725	-	-
P O'Shea – Executive Loan Plan 2006	30	105,000	-	-
P O'Shea – Executive Loan Plan 2007	40	168,000	-	-
P O'Shea – Performance Plan 2008	50	275,000	-	-

A = The percentage of the value of remuneration, based on the value at grant date set out in column B.

B = The value at grant date calculated in accordance with AASB 2 Share-based Payment.

C = The value at exercise date that were granted as part of remuneration and were exercised/matured during the year.

D = The value at lapse date that were granted as part of remuneration and that lapsed during the year.

Mr Lynch did not participate in any of the plans due to his employment with the Group commencing after the plans were in operation.

Indemnification and Insurance

The Company indemnifies all past and present Directors and Secretaries of the Company, including at this time the Directors named in this report and the Secretary or Secretaries, against every liability incurred by them in their respective capacities unless:

- The liability is owed to the Company or to a related body corporate;
- The liability did not arise out of the conduct of good faith; or
- The liability is for a pecuniary penalty order or a compensation order under the Corporations Act 2001.

The Company also indemnifies each person who is or has been an officer of the Company against liability for costs or expenses incurred by the person in his or her capacity as an officer of the Company in defending civil or criminal proceedings in which judgment is given in favour of the person or the person is acquitted or in connection with an application in which the Court grants relief to the person under the Corporations Act 2001.

The Auditors of the Company are in no way indemnified out of the assets of the Company.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

The board of directors has considered the position and, in accordance with advice received from the audit 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 committee reviews the non-audit services to ensure they do not impact the impartiality and objectivity of the auditor
- 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 combined entity, acting as advocate for the combined entity or jointly sharing economic risk and rewards.

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

	Consolidated	
	12 months to	10 months to
	30 June 2008	30 June 2007
	\$	\$
1. Amounts received or due and receivable by PricewaterhouseCoopers		
<i>Audit and Other Assurance Services</i>		
Audit and review of financial reports	128,250	-
Total audit and other assurance services	128,250	-
<i>Taxation services</i>		
Tax consulting services	-	8,700
Total taxation services	-	8,700
Total remuneration for PricewaterhouseCoopers	128,250	8,700

Fees associated with audit services during the comparative year were recognised by the ultimate parent entity.

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 20.

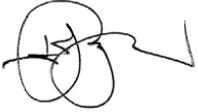
Rounding of amounts

The company 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.



David J Ryan AO
Director



Christopher J Lynch
Director

Melbourne
26 August 2008

PricewaterhouseCoopers
ABN 52 780 433 757

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Auditor's Independence Declaration

As lead auditor for the audit of Transurban International Limited for the year ended 30 June 2008, 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 year.



John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
26 August 2008

Transurban International Limited ARBN 121 746 825

Financial statements - 30 June 2008

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This financial report covers both the separate financial statements of Transurban International Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Transurban International Limited and its subsidiaries. The financial report is presented in the Australian currency.

Transurban International Limited is domiciled and incorporated in Bermuda. Its registered office and principal place of business is:

Transurban International Limited
22 Victoria Street
Hamilton
Bermuda

The financial report was authorised for issue by the directors on 26 August 2008. The company has the power to amend and reissue the financial report.

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

Transurban International Limited
Income statements
For the year ended 30 June 2008

		Consolidated		Parent	
	Notes	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000
Revenue from continuing operations	3	42,947	18	132	18
Expenses from ordinary activities					
Depreciation and amortisation expense		(738)	-	-	-
Operational costs		(22)	-	-	-
Corporate costs		(8,097)	(200)	(557)	(200)
Business Development		(42,388)	-	-	-
Finance costs	4	(15,788)	(16)	(5)	(16)
Share of net profits of associates and joint venture partnership accounted for using the equity method		<u>(16,894)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss before income tax		(40,980)	(198)	(430)	(198)
Income tax credit	5	<u>5,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss from continuing operations		<u>(35,261)</u>	(198)	<u>(430)</u>	(198)
Loss for the year		(35,261)	(198)	(430)	(198)
		Cents	Cents		
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings per share	28	(3.3)	(0.04)		
Diluted earnings per share	28	(3.3)	(0.04)		

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

Transurban International Limited
Balance sheets
As at 30 June 2008

	Notes	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	1,000	19	14	19
Trade and other receivables	7	<u>54,461</u>	<u>14</u>	<u>95,823</u>	<u>14</u>
Total current assets		<u>55,461</u>	<u>33</u>	<u>95,837</u>	<u>33</u>
Non-current assets					
Investments accounted for using the equity method	8	252,274	-	-	-
Other financial assets	9	-	-	1	-
Property, plant and equipment	10	3,117	-	-	-
Deferred tax assets	11	<u>9,845</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets		<u>265,236</u>	<u>-</u>	<u>1</u>	<u>-</u>
Total assets		<u>320,697</u>	<u>33</u>	<u>95,838</u>	<u>33</u>
LIABILITIES					
Current liabilities					
Trade and other payables	12	266,307	223	852	223
Current tax liabilities		1,614	-	-	-
Provisions	13	7,456	-	-	-
Non-interest bearing liabilities	14	<u>1,666</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>277,043</u>	<u>223</u>	<u>852</u>	<u>223</u>
Total current liabilities		<u>277,043</u>	<u>223</u>	<u>852</u>	<u>223</u>
Non-current liabilities					
Deferred tax liabilities	15	2,229	-	-	-
Provisions	16	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current liabilities		<u>2,253</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>279,296</u>	<u>223</u>	<u>852</u>	<u>223</u>
Net assets		<u>41,401</u>	<u>(190)</u>	<u>94,986</u>	<u>(190)</u>
EQUITY					
Contributed equity	17	95,554	-	95,554	-
Reserves	18	(18,694)	8	60	8
Retained profits/(accumulated losses)	18	<u>(35,459)</u>	<u>(198)</u>	<u>(628)</u>	<u>(198)</u>
Total equity		<u>41,401</u>	<u>(190)</u>	<u>94,986</u>	<u>(190)</u>

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

Transurban International Limited
Statements of changes in equity
For the year ended 30 June 2008

Consolidated	Notes	Attributable to members of Transurban International Limited			Total \$'000
		Contributed equity \$'000	Reserves \$'000	(Accumulated losses) \$'000	
Balance at 6 September 2006		-	-	-	-
Exchange differences on translation of foreign operation (Loss) for period	18	-	8	-	8
		-	-	(198)	(198)
Total recognised income and expense for the period		-	8	(198)	(190)
Balance at 30 June 2007		-	8	(198)	(190)
Balance at 1 July 2007		-	8	(198)	(190)
Changes in the fair value of cash flow hedges, net of tax	18	-	(13,164)	-	(13,164)
Exchange differences on translation of foreign operation	18	-	3,687	-	3,687
(Loss) for year		-	-	(35,261)	(35,261)
Total recognised income and expense for the year		-	(9,477)	(35,261)	(44,738)
Contributions of equity, net of transaction costs	17	95,189	-	-	95,189
Disposal of treasury securities	17	365	-	-	365
Acquisition of minority interest reserve	17	-	(9,225)	-	(9,225)
Balance at 30 June 2008		<u>95,554</u>	<u>(18,694)</u>	<u>(35,459)</u>	<u>41,401</u>
Parent					
	Notes	Contributed equity \$'000	Reserves \$'000	(Accumulated losses) \$'000	Total \$'000
Balance at 6 September 2006		-	-	-	-
Exchange differences on translation of foreign operation (Loss) for period	18	-	8	-	8
		-	-	(198)	(198)
Total recognised income and expense for the year		-	8	(198)	(190)
Balance at 30 June 2007		-	8	(198)	(190)
Balance at 1 July 2007		-	8	(198)	(190)
Exchange differences on translation of foreign operation (Loss) for year	18	-	52	-	52
		-	-	(430)	(430)
Total recognised income and expense for the year		-	52	(430)	(378)
Contributions of equity, net of transaction costs	17	95,189	-	-	95,189
Disposal of treasury securities	17	365	-	-	365
Balance at 30 June 2008		<u>95,554</u>	<u>60</u>	<u>(628)</u>	<u>94,986</u>

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

Transurban International Limited
Cash flow statements
For the year ended 30 June 2008

	Consolidated		Parent	
	12 months to	10 months to	12 months to	10 months to
Notes	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax)	44,867	-	-	-
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(28,054)</u>	<u>(153)</u>	<u>(893)</u>	<u>(153)</u>
	16,813	(153)	(893)	(153)
Interest received	155	17	1	17
Interest paid	(313)	-	(4)	-
Income taxes paid	<u>(297)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash inflow (outflow) from operating activities	27	16,358	(136)	(896)
		<u>(136)</u>	<u>(896)</u>	<u>(136)</u>
Cash flows from investing activities				
Cash acquired on acquisition of subsidiaries	1,731	-	-	-
Payment for investments in associates	(310,953)	-	-	-
Payments for property, plant and equipment	<u>(3,130)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash outflow from investing activities		<u>(312,352)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities				
Loans from related parties	265,702	1,165	511	1,165
Proceeds from issue of shares	95,526	-	95,526	-
Loans to related parties	(34,032)	-	(95,263)	-
Repayment of loans to related parties	(30,337)	(1,000)	-	(1,000)
Proceeds from sale of treasury shares	365	-	365	-
Share issue transactions costs	<u>(264)</u>	<u>-</u>	<u>(264)</u>	<u>-</u>
Net cash inflow from financing activities		<u>296,960</u>	<u>165</u>	<u>875</u>
		165	875	165
Net increase (decrease) in cash and cash equivalents	966	29	(21)	29
Cash and cash equivalents at the beginning of the financial year	19	-	19	-
Effects of exchange rate changes on cash and cash equivalents	<u>15</u>	<u>(10)</u>	<u>16</u>	<u>(10)</u>
Cash and cash equivalents at end of year	6	1,000	14	19
		<u>19</u>	<u>14</u>	<u>19</u>

The above cash flow statements should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

Transurban International Limited forms part of the Transurban Group. Prior to 3 January 2007, Transurban Stapled Securities comprised one share in Transurban Holdings Limited, one unit in Transurban Holding Trust and one share in Transurban Limited. On 3 January 2007 the composition of the Stapled Security was restructured, as approved by security holders at the Group's AGM on 23 October 2006. The restructure involved the removal of shares in Transurban Limited from the triple stapled security, and such shares being replaced by shares in Transurban International Limited.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Transurban International Limited as an individual entity and the consolidated entity consisting of Transurban International Limited and its subsidiaries.

(a) Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Transurban International Limited complies with International Financial Reporting Standards (IFRS).

Early adoption of standards

The TIL 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.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 31.

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Transurban International Limited ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Transurban International Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

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 accounts except as otherwise indicated.

The financial statements have been aggregated in recognition of the fact that the securities issued by the parent entities are stapled into parcels. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holdings Trust. None of the components of the Stapled Security are able to be traded separately.

1 Summary of significant accounting policies (continued)

Investments in subsidiaries are accounted for at cost in the individual financial statements of Transurban International Limited.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statement is presented in Australian dollars, which is Transurban Holdings Limited's (the ultimate parent of the Transurban Group) functional and presentation currency.

(ii) 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 income statement, except when 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.

Translation differences on non-monetary financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) 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 as a separate component of equity.

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. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised in the major business activities as follows:

(i) Management and Business development fees

Management and business development fees are recognised when receivable and to the extent of costs incurred, and it is probable the costs will be recovered.

1 Summary of significant accounting policies (continued)

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(f) Income tax

There is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by TIL under Bermudan tax legislation.

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 controlled entities where the parent entity 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, excluding business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

(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 a formal estimate of 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. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the impairment occurs.

1 Summary of significant accounting policies (continued)

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

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

(i) Cash and cash equivalents

For cash flow statement presentation, cash and cash equivalents includes cash on hand, cash deposits held at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and bank overdrafts.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of revenue recognition.

Collectibility 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 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(k) Investments in 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. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(l) Investments and other financial assets

Classification

The Group classifies its investments 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. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) 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.

(ii) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. 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 7) in the balance sheet.

1 Summary of significant accounting policies (continued)

(iii) 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.

(iv) 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 management intends to dispose of the investment within 12 months of the reporting date.

(m) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; appropriate quoted market price for financial liabilities is for the current ask price.

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 each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of 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 balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement 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. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Depreciation and amortisation

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 on a regular basis for all assets. The expected useful lives are 3 - 15 years.

(o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

1 Summary of significant accounting policies (continued)

(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 income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

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 other income or other expenses.

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

(q) Borrowing costs

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

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

(r) Provisions

Provisions are recognised when the TIL 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 measured 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 due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. An expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and 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)

(iii) Equity-based compensation benefits

Equity-based compensation benefits have been provided to employees via the Transurban Group Executive Option Plan. The Group has applied the exemptions included in AASB-1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards whereby no accounting entries are made in relation to certain plans until the plans vest, at which time the amounts receivable from employees are recognised in the balance sheet as share capital. This exemption is only available to plans granted prior to 7 November 2002.

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 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.

(iv) 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.

(v) 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. Benefits falling due more than 12 months after reporting date are discounted to present value.

(vi) Business Generation Incentive Plan

The Group recognises a liability for bonuses as part of a Business Generation Incentive Plan. The Plan provides for cash bonuses to be paid from a bonus pool determined by the risk adjusted net present value of a project or business venture. The Plan is intended to reward executives for successful business generation activities, based on the increase in security holder value derived from new business.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. If the entity reacquires its own equity instruments, e.g. as the result of a security buy-back, those instruments are deducted from equity and the associated securities are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs is recognised directly in equity.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(v) Earnings per stapled security

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of the share excluding any minority interest and costs of servicing equity other than distributions, by the weighted average number of shares outstanding during the financial year.

1 Summary of significant accounting policies (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

(w) 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.

(x) Rounding of amounts

The company 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.

(y) Working capital deficiency

As at 30 June 2008 the Group has a working capital deficiency represented by net current liabilities of \$221.56 million. This working capital deficiency reflects a number of specific factors primarily related to an intercompany loan payable with another entity within the Transurban Group. The directors have considered the position and believe it is unlikely that the loan will be called upon.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 3 Business Combination

Revised AASB Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: immediate expensing of all transactions costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying assets; guidance on issues such as re-acquired rights and vendor indemnities; and the inclusion of combinations by contracts alone and those involving mutuals. The revised standard becomes mandatory for the TIL Group's 30 June 2010 financial statements. The TIL Group has not yet determined the potential effect of the revised standard on the Group's financial report.

(ii) Revised AASB 127 Consolidated and Separate Financial Statements

Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investments when control is obtained/lost, with any resulting gain or loss being recognised in profit and loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will be mandatory for the TIL Group's 30 June 2010 financial statements. The Group has not yet determined the potential effects of the revised standard on the Group's financial report.

1 Summary of significant accounting policies (continued)

(iii) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(iv) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is consistent with the current group accounting policy therefore no impact on the financial statements is expected.

(v) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007 8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group has not yet decided when to adopt the revised standard. Had the revised standard been applied in the current financial year, there would have been no significant impact on the financial statements.

2 Segment information

Description of segments

The Group's primary business segment for the year ending 30 June 2008 was an investment in, and providing management services to, Transurban DRIVE, and the investigation of possible investment opportunities in the toll road sector in North America.

3 Revenue

	Consolidated		Parent	
	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000
From continuing operations				
Interest	152	18	1	18
Business development fees	34,355	-	-	-
Management fees	8,440	-	131	-
	<u>42,947</u>	<u>18</u>	<u>132</u>	<u>18</u>

4 Expenses

	Consolidated		Parent	
	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000
Profit before income tax includes the following specific expenses:				
Employee benefits expense	15,507	1,755	-	-
Rental expense	1,316	713	-	-
<i>Finance costs</i>				
Interest and finance charges paid/payable	15,788	16	5	16
<i>Foreign exchange gains and losses</i>				
Net foreign exchange losses	7,011	9	50	9

5 Income tax expense

	Consolidated		Parent	
	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000
(a) Income tax expense				
Current tax	1,852	-	-	-
Deferred tax	<u>(7,571)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(5,719)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 11)	(9,800)	-	-	-
(Decrease) increase in deferred tax liabilities (note 15)	<u>2,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(7,571)</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Consolidated		Parent	
	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	<u>(40,980)</u>	(198)	<u>(430)</u>	(198)
Tax at the Australian tax rate of 30% (2007 - 30%)	(12,294)	(59)	(129)	(59)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Tax differential	(2,452)	-	-	-
Equity accounted results	6,654	-	-	-
Income not subject to tax	4,202	59	129	59
Initial recognition of unbooked deferred tax assets	(2,095)	-	-	-
Sundry items	<u>266</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>(5,719)</u>	<u>-</u>	<u>-</u>	<u>-</u>

6 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and in hand	<u>1,000</u>	<u>19</u>	<u>14</u>	<u>19</u>
Balance per statement of cash flows	<u>1,000</u>	<u>19</u>	<u>14</u>	<u>19</u>

7 Current assets - Trade and other receivables

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	5,296	-	12	-
Loans to related parties	45,838	-	95,628	-
Other receivables	3,268	-	130	-
Prepayments	59	14	53	14
	<u>54,461</u>	<u>14</u>	<u>95,823</u>	<u>14</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 company does not hold any collateral in relation to these receivables.

(a) Interest rate risk

Information about the Group's exposure to interest rate risk in relation to trade and other receivables is provided in note 32.

(b) Fair value and credit risk

Refer to note 32 for more information on the risk management policies of the Group.

8 Non-current assets - Investments accounted for using the equity method

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investment - DRIVe Holdings	<u>252,274</u>	-	-	-
	<u>252,274</u>	-	-	-

9 Non-current assets - Other financial assets

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Shares in subsidiaries (note 25)	-	-	1	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>

10 Non-current assets - Property, plant and equipment

Year ended 30 June 2008

Opening net book amount	-
Additions	3,970
Exchange differences	(115)
Depreciation charge	<u>(738)</u>
Closing net book amount	<u>3,117</u>

At 30 June 2008

Cost or fair value	3,970
Accumulated depreciation	<u>(853)</u>
Net book amount	<u>3,117</u>

11 Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Accrued expenses	917	-	-	-
Provisions	4,211	-	-	-
Unrealised profits	2,032	-	-	-
Sundry items	<u>2,685</u>	-	-	-
Total deferred tax assets	<u>9,845</u>	-	-	-
Movements:				
Opening balance at 1 July	-	-	-	-
Credited/(charged) to the income statement (note 5)	9,800	-	-	-
Foreign exchange movements	<u>45</u>	-	-	-
Closing balance at 30 June	<u>9,845</u>	-	-	-
Deferred tax assets to be recovered within 12 months	-	-	-	-
Deferred tax assets to be recovered after more than 12 months	<u>9,845</u>	-	-	-
	<u>9,845</u>	-	-	-

12 Current liabilities - Trade and other payables

	Notes	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables and accruals		4,701	-	95	-
Loans from related parties	23	<u>261,606</u>	<u>223</u>	<u>757</u>	<u>223</u>
		<u>266,307</u>	<u>223</u>	<u>852</u>	<u>223</u>

Loans from related parties are at call and non-interest bearing.

(a) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 32.

13 Current liabilities - Provisions

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits	<u>7,456</u>	-	-	-
	<u>7,456</u>	-	-	-

The provision for employee entitlements includes provision for annual leave, bonuses and the current portion of long service leave provision.

14 Current liabilities - Non-interest bearing liabilities

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unearned income	<u>1,666</u>	-	-	-
	<u>1,666</u>	-	-	-

15 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Unrealised gain	2	-	-	-
Fixed assets	<u>2,227</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred tax liabilities	<u>2,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
Movements:				
Opening balance at 1 July	-	-	-	-
Charged/(credited) to the income statement (note 5)	<u>2,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance at 30 June	<u>2,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities to be settled within 12 months	-	-	-	-
Deferred tax liabilities to be settled after more than 12 months	<u>2,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,229</u>	<u>-</u>	<u>-</u>	<u>-</u>

16 Non-current liabilities - Provisions

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits - long service leave	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>

The provision for employee entitlements is the non-current portion of the long service leave provision.

17 Contributed equity

		Consolidated	
		2008	2007
		\$'000	\$'000
(a) Share capital			
Ordinary shares			
Fully paid stapled securities		<u>95,554</u>	-
		<u>95,554</u>	-
		Number	Number
		'000	'000
Share capital			
Ordinary shares			
Fully paid stapled securities		<u>1,218,263</u>	1,068,375
		<u>1,218,263</u>	1,068,375

(b) Movements in ordinary share capital - Transurban Group:

Date	Details	Notes	Number of securities '000	Issue price	Consolidated	
						\$'000
3 Jan 2007	Transurban Group Restructure	(d)	863,193			-
17 Jan 2007	Disposal of treasury securities	(e)	16	\$-		-
19 Jan 2007	Options exercised		29	\$-		-
7 Feb 2007	Disposal of treasury securities	(e)	44	\$-		-
15 Feb 2007	Disposal of treasury securities	(e)	68	\$-		-
22 Feb 2007	Disposal of treasury securities	(e)	22	\$-		-
27 Feb 2007	Options exercised		48	\$-		-
28 Feb 2007	Distribution Reinvestment Plan	(f)	17,031	\$-		-
23 Apr 2007	Conversion of CARS	(g)	32,541	\$-		-
8 May 2007	Acquisition of Sydney Roads Group	(h)	148,431	\$-		-
29 Jun 2007	Acquisition of Sydney Roads Group	(h)	<u>6,952</u>	\$-		-
30 June 2007	Balance		<u>1,068,375</u>			-
1 July 2007	Opening balance		1,068,375			-
27 Aug 2007	Distribution Reinvestment Plan	(f)	11,408			-
19 Sept 2007	Disposal of treasury securities	(e)	138	\$-		-
25 Sept 2007	Disposal of treasury securities	(e)	44	\$-		-
4 Oct 2007	Disposal of treasury securities	(e)	50	\$-		-
29 Nov 2007	Disposal of treasury securities	(e)	273	\$-		-
5 Dec 2007	Disposal of treasury securities	(e)	30	\$-		-
7 Jan 2008	Disposal of treasury securities	(e)	31	\$-		-
27 Feb 2008	Disposal of treasury securities	(e)	17,058	\$-		-
11 Mar 2008	Disposal of treasury securities	(e)	27	\$-		-
9 Apr 2008	Disposal of treasury securities	(e)	95	\$-		-
16 Apr 2008	Disposal of treasury securities	(e)	44	\$-		-
1 May 2008	Disposal of treasury securities	(e)	62	\$-		-
25 Jun 2008	Disposal of treasury securities	(e)	628	\$0.58		365
26 Jun 2008	Equity Placement	(j)	120,000	\$0.80		95,526
	Less: Transaction costs arising on issue of securities					(337)
30 June 2008	Balance		<u>1,218,263</u>			<u>95,554</u>

17 Contributed equity (continued)

All shares issued were a component of Stapled Securities issued by the Transurban Group. Prior to June 2008, a nil value was assigned to Transurban International Limited, with the value being apportioned between Transurban Holdings Limited and Transurban Holding Trust.

(c) Stapled securities

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

(d) Transurban Group Restructure

At the Annual General Meeting on 23 October 2006, Transurban's directors received approval from security holders to implement a change to the Transurban Group's Stapled Security Structure (one share in Transurban Holdings Limited, one unit in Transurban Holding Trust and one share in Transurban Limited). The restructure which occurred on 3 January 2007 involved the destapling of shares in Transurban Limited from the structure of the triple stapled security and replaced such shares with shares in Transurban International Limited.

At the completion of the restructure, Transurban Limited became a wholly-owned subsidiary of Transurban Holdings Limited and Transurban International Limited, a new Bermudan exempted mutual fund company, replaced Transurban Limited as a part of the triple stapled security.

The introduction of the new structure creates a more efficient vehicle for which investments in international assets can be made and allows for security holder distributions from these investments to be executed in a timely and efficient manner.

(e) Treasury securities

Stapled securities were issued to Transurban Group executives under the Executive Loan Plan. The securities are held by the executive but will only vest in the executive in accordance with the terms of the plan. The acquired securities cannot be transferred or sold while the loan is outstanding. On forfeit, the securities are sold on market.

(f) 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.

(g) Conversion of CARS

During the year all remaining Convertible Adjusting Rate Securities ("CARS") on issue were converted into Transurban Group Stapled Securities.

(h) Acquisition of Sydney Roads Group

The consideration given to the holders of SRG securities on acquisition by the Transurban Group consisted of 155.4 million Transurban Group stapled securities or a cash payment of \$1.32 per SRG security.

(i) 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 and the parent entity's objectives when managing capital are to safeguard their 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.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio within 10% to 40% and a BB credit rating. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

17 Contributed equity (continued)

(j) Equity Placement

TIL raised \$95.5 million via an equity placement of 120 million securities to the Canadian Pension Plan Investment Board.

18 Reserves and retained profits/(accumulated losses)

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Reserves				
Hedging reserve - cash flow hedges	(13,164)	-	-	-
Foreign currency translation reserve	3,695	8	60	8
Transactions with minority interest reserve	(9,225)	-	-	-
	<u>(18,694)</u>	<u>8</u>	<u>60</u>	<u>8</u>
Movements:				
<i>Hedging reserve - cash flow hedges</i>				
Balance 1 July	-	-	-	-
Movement in associate's reserve	(13,164)	-	-	-
Balance 30 June	<u>(13,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Movements:				
<i>Foreign currency translation reserve</i>				
Balance 1 July/ 6 September	8	-	8	-
Currency translation differences arising during the year	3,687	8	52	8
Balance 30 June	<u>3,695</u>	<u>8</u>	<u>60</u>	<u>8</u>
Movements:				
<i>Transactions with minority interest reserve</i>				
Balance 1 July	-	-	-	-
Acquisition of commonly controlled entities	(9,225)	-	-	-
Balance 30 June	<u>(9,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(b) Accumulated losses				
Movements in retained profits were as follows:				
Opening retained earnings	(198)	-	(198)	-
Net (loss) for the year/(period)	(35,261)	(198)	(430)	(198)
Balance 30 June	<u>(35,459)</u>	<u>(198)</u>	<u>(628)</u>	<u>(198)</u>

18 Reserves and retained profits/(accumulated losses) (continued)

(c) Nature and purpose of reserves

(i) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(iii) Transactions with minority interest reserve

The transactions with minority interest reserve 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).

19 Dividends

No dividends were paid or declared during the year.

20 Key management personnel disclosures

(a) Directors

The following persons were directors of Transurban International Limited during the financial year:

(i) *Chairman - non-executive*
David J Ryan AO

(ii) *Executive directors*
Kimberley Edwards (until 4 April 2008)
Christopher Lynch (appointed 18 February 2008)

(iii) *Non-executive directors*
James Keyes
Jennifer Eve

(b) Other key management personnel

<i>Name</i>	<i>Position</i>
C Brant (until his departure on 29 August 2008)	Chief Finance Officer
B Bourke	Global Chief Operating Officer
D Cardiff	General Manager Human Resources
K Daley	Executive Vice President International Development
G Mann (until his departure on 23 November 2007)	Group General Manager Development
M Kulper	Executive Vice President North America
P O'Shea (until his departure on 14 July 2008)	Group General Manager Legal and Risk Management

All of the above persons were also key management persons during the year ended 30 June 2007, except for D Cardiff, K Daley and M Kulper who joined the Executive Management team on the appointment of Christopher Lynch, as the Transurban Group CEO.

20 Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent	
	12 months to 30 June 2008 \$	10 months to 30 June 2007 \$	12 months to 30 June 2008 \$	10 months to 30 June 2007 \$
Short-term employee benefits	24,815,967	7,213,714	24,815,967	7,213,714
Post-employment benefits	746,745	522,599	746,745	522,599
Termination benefits	6,960,057	-	6,960,057	-
Share-based payments	1,283,204	1,225,116	1,283,204	1,225,116
	<u>33,805,973</u>	<u>8,961,429</u>	<u>33,805,973</u>	<u>8,961,429</u>

The company has taken advantage of the relief provided by *Corporations Regulation* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-D of the remuneration report on pages 5 to 16.

(d) Equity instrument disclosures relating to key management personnel

(i) Share-based payments

Details of executive long term incentives, together with terms and conditions, can be found in section D of the remuneration report on pages 11 to 16.

(ii) Executive Loan Plan

The number of securities held during the financial year by each director of Transurban International Limited and other key management personnel of the Company, including their personally related parties, are set out below.

12 months to 30 June 2008						
Name	Balance at start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at the end of the year
Directors of Transurban International Limited						
K Edwards	722,500	-	-	(722,500)	-	-
C Lynch	-	-	-	-	-	-
Other key management personnel of the Group						
C Brant	293,000	-	-	-	293,000	-
B Bourke	262,000	-	-	-	262,000	-
P O'Shea	205,000	-	-	-	205,000	-
G Mann	272,500	-	-	(272,500)	-	-
D Cardiff	63,500	-	-	-	63,500	-
K Daley	174,000	-	-	-	174,000	-
M Kulper	190,000	-	-	-	190,000	-

20 Key management personnel disclosures (continued)

10 months to 30 June 2007						
Name	Balance at start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at the end of the year
Directors of Transurban International Limited						
K Edwards	312,500	410,000	-	-	722,500	-
Other key management personnel of the Group						
C Brant	118,000	175,000	-	-	293,000	-
B Bourke	102,000	160,000	-	-	262,000	-
P O'Shea	75,000	130,000	-	-	205,000	-
G Mann	112,500	160,000	-	-	272,500	-

(iii) Stapled security holdings

The number of Transurban Group Stapled Securities and Convertible Adjusting Rate Securities ("CARS") held during the financial year by each director of Transurban International Limited and other key management personnel, including their personally-related parties, are set out below.

Stapled Securities

12 months to 30 June 2008						
Name	Balance at start of the year	Received during the year via the Performance Rights Plan	Received during the year via the Executive Loan Plan	Other changes during the year	Balance at end of the year	
Directors of Transurban International Limited						
D J Ryan	24,091	-	-	33,209	57,300	
K Edwards	2,033,500	285,714	-	(2,319,214)	-	
C Lynch	-	-	-	152,800	152,800	
Other key management personnel of the Group						
C Brant	296,392	-	-	-	296,392	
B Bourke	671,328	92,857	-	28,333	792,518	
P O'Shea	442,489	78,571	-	(521,060)	-	
G Mann	272,707	-	-	(272,707)	-	
D Cardiff	167,443	27,428	-	190	195,061	
K Daley	365,332	78,571	-	-	443,903	
M Kulper	-	76,778	-	80,000	156,778	

10 months to 30 June 2007						
Name	Balance at start of the year	Received during the year via the Performance Rights Plan	Received during the year via the Executive Loan Plan	Other changes during the year	Balance at end of the year	
Directors of Transurban International Limited						
D J Ryan	22,394	-	-	1,697	24,091	
K Edwards	1,873,500	-	410,000	(250,000)	2,033,500	
Other key management personnel of the Group						
C Brant	119,448	-	175,000	1,944	296,392	
B Bourke	474,749	-	160,000	36,579	671,328	
P O'Shea	437,324	-	130,000	(124,835)	442,489	
G Mann	112,600	-	160,000	107	272,707	

20 Key management personnel disclosures (continued)

CARS

10 months to 30 June 2007

Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Transurban International Limited				
D J Ryan	-	-	-	-
K Edwards	-	-	-	-
Other key management personnel of the Group				
C Brant	-	-	-	-
B Bourke	400	-	(400)	-
P O'Shea	-	-	-	-
G Mann	-	-	-	-

No directors had any holdings in 2008.

(iv) Performance Rights Plan

12 months to 30 June 2008

Name	Balance at start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at the end of the year
Directors of Transurban International Limited						
K Edwards	-	285,714	-	(285,714)	-	-
C Lynch	-	-	-	-	-	-
Other key management personnel of the Group						
C Brant	-	100,000	-	-	100,000	-
B Bourke	-	92,857	-	-	92,857	-
P O'Shea	-	78,571	-	(78,571)	-	-
D Cardiff	-	27,248	-	-	27,248	-
K Daley	-	78,571	-	-	78,571	-
M Kulper	-	76,778	-	-	76,778	-

As the Performance Rights Plan was introduced in November 2007 there is no comparative data.

21 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 and non-related audit firms:

	Consolidated		Parent	
	12 months to 30 June 2008	10 months to 30 June 2007	12 months to 30 June 2008	10 months to 30 June 2007
	\$	\$	\$	\$
Amounts received or due and receivable by PricewaterhouseCoopers				
<i>Audit and Other Assurance Services</i>				
Audit and review of financial reports	<u>128,250</u>	-	<u>128,250</u>	-
Total audit and other assurance services	<u>128,250</u>	-	<u>128,250</u>	-
<i>Taxation services</i>				
Tax consulting services	-	<u>8,700</u>	-	<u>8,700</u>
Total taxation services	-	<u>8,700</u>	-	<u>8,700</u>
Total remuneration for PricewaterhouseCoopers	<u>128,250</u>	<u>8,700</u>	<u>128,250</u>	<u>8,700</u>

Fees associated with audit services during the comparative year were recognised by the ultimate parent entity.

22 Contingencies

(a) Contingent liabilities

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 pre-construction phase, with full construction expected to commence in the coming months. Construction is expected to take five years 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% of the equity of DRIVE and recognises this investment in the consolidated financial statements using the equity method of accounting. DRIVE holds 90% of the equity in Capital Beltway Express and, from time to time, is required to make equity contributions to Capital Beltway Express to fund the equity component of the Capital Beltway project costs. The total equity contribution DRIVE is obliged to make to Capital Beltway Express is US\$313,825,757, of which US\$98,254,463 had been paid at balance sheet date.

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

22 Contingencies (continued)

(b) Contingent assets

Capital Beltway "Capital Sum"

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

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

23 Related party transactions

(a) Parent entities

The ultimate parent entity of Transurban International Limited is Transurban Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 20.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Revenue from services</i>				
Business development fees	34,354,687	-	-	-
Management fees	8,471,761	-	130,780	-
End of period	<u>42,826,448</u>	<u>-</u>	<u>130,780</u>	<u>-</u>
(e) Loans to/from related parties				
<i>Loan to Transurban Group entities</i>				
Beginning of the period	2	-	2	-
Loans advanced	56,602,176	2	99,336	2
Repayment of loans	(24,507,318)	-	-	-
Acquisition of subsidiaries	16,004,799	-	-	-
Foreign exchange movements	(2,261,957)	-	(3,710)	-
End of period	<u>45,837,702</u>	<u>2</u>	<u>95,628</u>	<u>2</u>
<i>Loan from Transurban Group entities</i>				
Beginning of the period	223,148	-	223,148	-
Loans advanced	466,961,204	1,223,148	1,719,486	1,223,148
Loan repayments	(251,986,687)	(1,000,000)	(1,155,571)	(1,000,000)
Acquisition of subsidiaries	46,967,613	-	-	-
Unsecured loans	(559,607)	-	-	-
End of period	<u>261,605,671</u>	<u>223,148</u>	<u>787,063</u>	<u>223,148</u>

(f) Other related parties

Mr Lynch and Mr Ryan are directors of Transurban Holdings Limited and Transurban Infrastructure Management Limited. Related party transactions have occurred with these Transurban Group entities and their wholly-owned subsidiaries.

Mr Keyes is a Partner at Appleby (Legal firm within Bermuda) and Ms Eve an Associate. During the year Transurban International Limited utilised Appleby for various legal services to the amount of \$112,325.

24 Business combination

(a) Summary of acquisition

On 10 September 2007 the Company acquired 100 per cent of the issued capital of Transurban (USA) Holdings Inc. and its subsidiaries Transurban (USA) Inc. and Transurban (USA) Operations Inc.

The acquired entities contributed \$8.7 million of net loss to the Group for the period 10 September 2007 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated losses for the year ended 30 June 2008 would have been \$38.1 million and \$9.1 million respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Cash paid	-
Total purchase consideration	-
Fair value of net identifiable assets (liabilities) acquired	(9,225)
Transactions with Minority Interest reserve	9,225

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash	1,613	1,613
Other receivables	19,443	19,443
Plant and equipment	744	744
Trade and other payables	(29,647)	(29,647)
Provisions	(1,378)	(1,378)
Net identifiable (liabilities) acquired	(9,225)	(9,225)

25 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 *	
			2008 %	2007 %
Transurban International Holdings LLC	Bermuda	Ordinary	100	100
Transurban DRIVe Holdings LLC	USA	Ordinary	-	100
Transurban (USA) Holdings Inc	USA	Ordinary	100	-
Transurban (USA) Inc	USA	Ordinary	100	-
Transurban DRIVe Management	USA	Ordinary	100	-
Transurban (USA) Operations	USA	Ordinary	100	-

* The proportion of ownership interest is equal to the proportion of voting power held.

26 Investments in associates

Transurban DRIVE

(a) Carrying amounts

Name of company	Ownership interest		Consolidated		Parent	
	2008	2007	2008	2007	2008	2007
	%	%	\$'000	\$'000	\$'000	\$'000
Transurban DRIVE Holdings LLC	75	-	<u>252,274</u>	-	-	-
			<u>252,274</u>	-	-	-

Consolidated
2008 2007
\$'000 \$'000

(b) Movements in carrying amounts

Carrying amount at the beginning of the financial year	-	-
Investment in associate	305,565	-
Share of profit (losses) after income tax	(16,894)	-
Movements in exchange rates	(23,233)	-
Movements in reserves	(13,164)	-
Carrying amount at the end of the financial year	<u>252,274</u>	-

(c) Share of associates' profits or losses

Profit before income tax	(27,627)	-
Income tax expense (benefit)	10,733	-
Profit after income tax	<u>(16,894)</u>	-

(d) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Group's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
2008					
Transurban DRIVE Holdings LLC	75	<u>1,214,088</u>	<u>961,814</u>	<u>10,606</u>	<u>(16,894)</u>
		<u>1,214,088</u>	<u>961,814</u>	<u>10,606</u>	<u>(16,894)</u>

26 Investments in associates (continued)

	Consolidated	
	2008	2007
	\$'000	\$'000
(e) Share of expenditure commitments		
Capital commitments	757,904	-

(f) Contingent liabilities of associates

As at the reporting date there are no contingent liabilities.

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

	Consolidated		Parent	
	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000
Loss for the year	(35,261)	(198)	(430)	(198)
Depreciation and amortisation	738	-	-	-
Share of losses of associates	16,894	-	-	-
Net exchange differences	8,406	(10)	(42)	(10)
Non cash business development costs	13,524	-	-	-
Change in operating assets and liabilities				
Increase in prepayments	(45)	15	38	15
(Increase) in trade and other receivables	(8,564)	-	(143)	-
Non cash related party loans	14,435	57	(414)	57
Increase in trade payables and accruals	4,701	-	95	-
Increase in provisions	7,480	-	-	-
Increase unearned income	1,666	-	-	-
(Increase) in deferred taxes	(7,616)	-	-	-
Net cash inflow (outflow) from operating activities	16,358	(136)	(896)	(136)

28 Earnings per stapled security

	Consolidated	
	12 months to 30 June 2008 Cents	10 months to 30 June 2007 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	(3.3)	(0.04)
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	(3.3)	(0.04)
	Consolidated	
	12 months to 30 June 2008 \$'000	10 months to 30 June 2007 \$'000
Profit from continuing operations	(35,261)	(198)
(c) Weighted average number of shares used as the denominator		
	Consolidated	
	12 months to 30 June 2008 Number	10 months to 30 June 2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	1,088,861,291	456,052,370
Adjustments for calculation of diluted earnings per share:		
Performance rights	452,071	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,089,313,362	456,052,370

29 Share-based payments

(a) Performance Rights Plan ("PRP")

Refer to Section D of the remuneration report for details.

<i>Australian Based Plan</i>	Grant date	Vesting date	Fair value of rights at grant date	Spot price at grant date	
Performance Criteria					
TSR	1 Nov 2007	1 Nov 2010	\$ 3.50	\$ 7.29	
EBITDA	1 Nov 2007	1 Nov 2010	\$ 5.96	\$ 7.29	

<i>Overseas Based Plan</i>	Grant date	Vesting date	Fair value of rights at grant date	Spot price at grant date	Fair value of rights at reporting date
Performance Criteria					
TSR	1 Nov 2007	1 Nov 2010	\$ 3.50	\$ 7.29	\$ 1.32
EBITDA	1 Nov 2007	1 Nov 2010	\$ 5.96	\$ 7.29	\$ 3.58

(b) Employee Long Term Incentives ("ELTI") Plan

Refer to Section D of the remuneration report for details.

Set out below are ELTI granted under the plan.

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Matured during the year Number	Forfeited during the year Number	Balance at end of the year Number	Matured and payable at end of the year Number	
30 Sept 2004	30 Sept 2006	\$ 5.45	<u>2,965,000</u>	-	<u>(2,935,000)</u>	<u>(30,000)</u>	-	-	
Total			<u>2,965,000</u>	-	<u>(2,935,000)</u>	<u>(30,000)</u>	-	-	
Weighted average exercise price					\$5.45	\$5.45			

The weight average price of Transurban Securities at the date of maturity was \$7.21.

The weighted average remaining contractual life ELTI at the end of the year was nil years (2007: nil years)

29 Share-based payments (continued)

(c) Executive Loan Plan ("ELP")

Refer to Section D of the remuneration report for details.

Set out below are securities granted under the plan.

Australian Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
1 Nov 2005	1 Nov 2008	\$6.47	1,579,800	-	-	(229,600)	1,350,200
1 Nov 2006	1 Nov 2009	\$7.28	-	2,066,500	-	(133,000)	1,933,500
Total			<u>1,579,800</u>	<u>2,066,500</u>	<u>-</u>	<u>(362,600)</u>	<u>3,283,700</u>
Weighted average exercise price			\$6.47	\$7.28	-	\$6.77	\$6.95

Overseas Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Matured during the year Number	Balance at end of the year Number	Matured and payable at end of the year Number
1 Nov 2005	1 Nov 2008	\$6.47	189,700	-	-	189,700	-
1 Nov 2006	1 Nov 2009	\$7.28	-	300,000	-	300,000	-
Total			<u>189,700</u>	<u>300,000</u>	<u>-</u>	<u>489,700</u>	<u>-</u>
Weighted average exercise price			\$6.47	\$7.28	-	\$6.97	-

29 Share-based payments (continued)

(d) 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 2007 to 30 June 2008, the cost of company matches was \$61,875 for the Investment Tax Exempt Plan and \$452,250 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 2008, each participant was allocated 100 stapled securities at a value of \$6.35 per security. Stapled securities provided under the Plan were acquired on the open market.

	12 months to 30 June 2008 Number	10 months to 30 June 2007 Number
Shares purchased on the market under the plan and provided to participating employees	50,500	50,300

(e) Performance Rights Plan ('PRP')

Under the new PRP, Executives will be granted performance rights to acquire, at no cost to them, an allocated number of stapled securities, subject to the achievement of performance conditions at the end of a three year vesting period. Two performance measures will be utilised, one linked to Total Shareholder Return (TSR) over a three year vesting period and the second, an operational performance measure over the same period. The Plan has been structured so that rewards are only obtained if there are materially improved security holder returns and operational performance results over the three year vesting period. The performance hurdles attached to the performance rights have been set to ensure that both executives and stapled security holders generally benefit from the allocation of stapled securities to executives under the Plan

There is only one testing date. The right to Stapled Securities cannot be transferred, exercised or otherwise dealt with during the vesting period.

No performance rights were issued under this plan in the current year as it was approved by the Board of Directors for implementation in November of 2007.

Refer to section D of the remuneration report for details.

(f) Expenses arising from shared-based payments

Total expenses arising from share-based payment transaction recognised during the period as part of employee benefit expense was \$1.4 million (2007: \$2.7 million).

30 Intra-group guarantees

As at 30 June 2008, 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 other and its controlled entities within the group on a continual basis.

31 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 entity 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.

(i) Estimated impairment of cash generating units

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

32 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and cash flow forecasting for foreign exchange risks.

Risk management is carried out by the Finance Group under policies approved by the Board of Directors. The Finance Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board are informed on a regular basis of any material exposures to financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed primarily to foreign exchange risk arising from currency exposures to the AUD 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 reporting date was as follows:

	30 June 2008	30 June 2007
	AUD	AUD
	\$'000	\$'000
Cash and cash equivalents	13	18
Trade and other receivables	888	630
Receivables	5,025	778
Payables	(55,624)	(34,672)
Provisions	1,000	-

The above table is presented in the currency in which the exposure exists. The AUD exposure exists in the USD functional currency entities.

32 Financial risk management (continued)

The parent entity's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2008	30 June 2007
	AUD	AUD
	\$'000	\$'000
Cash and cash equivalents	13	18
Receivables	449	11
Payables	(809)	(188)

The above table is presented in the currency in which the exposure exists. The AUD exposure exists in the USD functional currency entities.

Group sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar strengthened by 10c or weakened by 15c against the U.S. dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$5,411,000 lower or \$10,822,000 higher, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

Based on the financial instruments held at 30 June 2007, had the Australian dollar strengthened by 15c or weakened by 15c against the U.S. dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$6,716,000 lower or \$9,864,000 higher, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2008 than 2007 because of the increased amount of AUD dollar denominated borrowings. Equity would not be affected by foreign exchange movements. The Group's exposure to other foreign exchange movements is not material.

Parent entity sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar strengthened by 10c or weakened by 15c against the U.S. dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$39,000 lower or \$77,000 higher (2007 - \$32,000 lower or \$47,000 higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2008 than 2007 because of the increased amount of AUD dollar denominated borrowings. Equity would not be affected by foreign exchange movements. The Parent entity's exposure to other foreign exchange movements is not material.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term intercompany borrowings and funds on deposit. The parent entity's only interest rate risk arises from funds on deposit.

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

	30 June 2008		30 June 2007	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	1.3 %	(1,000)	5.3 %	(19)
Floating Rate Borrowings	3.6 %	<u>51,693</u>	-	<u>-</u>
Net exposure to cash flow interest rate risk		<u>50,693</u>		<u>(19)</u>

Group sensitivity

At 30 June 2008, 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 \$507,000 higher/lower (2007 - \$188 higher/lower), mainly as a result of high/lower interest on intercompany borrowings offset by higher/lower interest income from cash and cash equivalents.

32 Financial risk management (continued)

Parent entity sensitivity

At 30 June 2008, 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 \$180 higher/lower (2007 - \$180 higher/lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

The Group has no significant concentrations of credit risk from Operating Activities. The Group has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history. The Group continually monitors the credit ratings and credit exposure of each counterparty. The Group does not obtain any security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(c) Liquidity risk

The Company maintains sufficient cash to maintain short-term flexibility and enable the Company to meet financial commitments in a timely manner.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group - At 30 June 2008	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives								
Non-interest bearing	21,848	-	-	-	-	-	21,848	21,848
Variable rate	4,680	4,657	4,615	4,620	4,569	56,183	79,324	51,693
Fixed rate	<u>11,379</u>	<u>11,379</u>	<u>11,379</u>	<u>11,379</u>	<u>11,379</u>	<u>204,235</u>	<u>261,130</u>	<u>192,856</u>
Total non-derivatives	<u>37,907</u>	<u>16,036</u>	<u>15,994</u>	<u>15,999</u>	<u>15,948</u>	<u>260,418</u>	<u>362,302</u>	<u>266,397</u>

There is no liquidity risk exposure to the Group or parent entity in the current or prior periods other than as shown above.

(d) Fair value estimation

Refer to note 1 for the Group's policy on Fair Value estimation.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 61 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 5 to 15 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

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.



David J Ryan AO
Director



Christopher J Lynch
Director

Melbourne
26 August 2008

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 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Transurban International Limited and the Transurban International Limited Group (the consolidated entity). The consolidated entity comprises both the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalent to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies 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.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Independent auditor's report to the members of Transurban International Limited (continued)

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 company's and consolidated entity's financial position as at 30 June 2008 and of their 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 consolidated financial statements 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 5 to 17 of the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the Corporations Act 2001.



PricewaterhouseCoopers



John Yeoman
Partner

Melbourne
26 August 2008