asx release

7 August 2012

Transurban Group 2011/12 Full-Year Results

Please find attached the following:

1. ASX Appendix 4E for the year ended 30 June 2012; and
2. Transurban Holdings Limited and Controlled Entities Financial Statements for the year ended 30 June 2012.

Amanda Street
Company Secretary

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Transurban Group

Transurban International Limited
ABN 90 121 746 825

Transurban Holdings Limited
ABN 86 098 143 429

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

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Transurban Group
Appendix 4E
Year ended 30 June 2012

(Previous corresponding period:
Year ended 30 June 2011)

The Transurban Group comprises the following entities:

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

Results for announcement to the market

Statutory results

- Revenue from ordinary activities increased 11.4 per cent to $1,154,484,000
- Profit from ordinary activities after tax decreased 50.4 per cent to $58,558,000
- Net profit attributable to members decreased 51.2 per cent to $54,905,000
- Profit before depreciation and amortisation, net finance costs, equity accounted investments and incomes taxes increased 5.5 per cent to $636,935,000

Proportional results

- Toll revenue increased 5.9 per cent to $943,873,000
- Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by 9.1 per cent to $783,984,000
- Underlying free cash increased 11.0 per cent to $433,395,000

Distributions

	Amount per Security cents	**Franked amount per Security %**
Final distribution (declared prior to balance date)	11.5	-
Final dividend (declared prior to balance date)	3.5	100
	15.0	
Interim distribution for the current year	11.0	-
Interim dividend for the current year	3.5	100
	14.5	
Final distribution (prior year)	14.0	-
Record date for determining entitlements to distribution	29 June 2012	
Date of payment of final distribution	14 August 2012	

Distribution Reinvestment Plan (DRP)

Under the Distribution Reinvestment Plan (DRP) security holders may receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. The last date for the receipt of an election notice for participation in the DRP was 29 June 2012. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

Explanation of results

For further explanation of the results please refer to the accompanying ASX release and "Review of Operations" in the Directors' Report within the Financial Report.

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

Proportional results

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

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

Proportional EBITDA is reconciled to the statutory income statement in Note 2 of the financial statements.

Free cash

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

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

Underlying results

The Transurban Group excludes specific items to reach an underlying result that, it considers, provides a more appropriate and meaningful analysis of performance on a comparative basis. These items reflect one off, non recurring items, both revenue and expenses, that will not contribute to the Group's performance in future periods.

Entities over which control has been gained or lost

The Group did not gain or lose control of any entities during the year ended 30 June 2012, or during the prior corresponding year.

Investments in associates and joint venture entities

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

Name of company	**Ownership Interest**		**Net profit (loss) contribution to the Transurban Group**	
	2012 %	2011 %	**2012 $'000**	2011 $'000
WSO Company Pty Limited	**50.0**	50.0	**-**	-
Westlink Motorway Limited	**50.0**	50.0	**-**	-
WSO Finance Company	**50.0**	50.0	**-**	-
Westlink Motorway Partnership	**50.0**	50.0	**-**	-
Interlink Roads Pty Limited	**50.0**	50.0	**4,750**	(3,857)
Transurban DRIVe Holdings LLC	**75.0**	75.0	**(142,696)**	(16,341)
			(137,946)	(20,198)

Other information required by Listing Rule 4.3A

The remainder of information requiring disclosure to comply with Listing Rule 4.3A is contained in the Financial Report (which includes the Directors' Report) and the ASX Release.

Audit

This report has been based on accounts which have been audited by the Group's auditors. A copy of the unqualified audit report can be found in the attached Financial Statements.

Amanda Street
Company Secretary
7 August 2012

Transurban Holdings Limited and Controlled Entities

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

Annual report for the year ended 30 June 2012

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

Contents

Directors' report

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

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

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

Directors
With the exception of the changes noted below, the following persons were Directors of THL, TIML and TIL during the whole of the financial year and up to the date of this report:

	THL	TIML	TIL
Non-executive Directors			
Lindsay Maxsted	✓	✓	✓
Neil Chatfield *	✓	✓	✓
Geoffrey Cosgriff (resigned 6 December 2011)	✓	✓	
Jeremy Davis (resigned 6 December 2011)	✓	✓	
Robert Edgar *	✓	✓	✓
Samantha Mostyn *	✓	✓	✓
Robert Officer *	✓	✓	✓
Christine O'Reilly (appointed 12 April 2012)	✓	✓	✓
Rodney Slater *	✓	✓	✓
Ian Smith (appointed 1 January 2012) *	✓	✓	✓
James Keyes (resigned 5 January 2012)			✓
Jennifer Eve (resigned 5 January 2012)			✓
Executive Directors			
Christopher Lynch (resigned 16 July 2012)	✓	✓	✓
Scott Charlton (appointed 16 July 2012)	✓	✓	✓

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

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

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

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

	30 June 2012 $'000	30 June 2011 $'000
Distribution payable		
Final distribution for 2012 financial year payable and recognised as a liability: 15.0 cents (2011: 14.0 cents) per fully paid Stapled Security payable 14 August 2012		
Fully franked (2011: 0% franked) based on tax paid @ 30% - 3.5 cents (2011: 0.0 cents) per fully paid Stapled Security	**51,041**	-
Unfranked final distribution - 11.5 cents (2011: 14.0 cents) per fully paid Stapled Security	**167,707**	202,096
	218,748	202,096
Distributions paid during the year		
Final (unfranked) distribution for 2011 financial year of 14.0 cents (2010: 12.0 cents) per fully paid Stapled Security paid 11 August 2011	**202,096**	169,760
	202,096	169,760
Interim distribution for 2012 financial year of 14.5 cents (2011: 13.0 cents) per fully paid Stapled Security paid 14 February 2012		
Fully franked (2011: 0% franked) based on tax paid @ 30% - 3.5 cents (2011: 0.0 cents) per fully paid Stapled Security	**50,801**	-
Unfranked interim distribution - 11.0 cents (2011: 13.0 cents) per fully paid Stapled Security	**159,654**	187,367
	210,455	187,367
Total distributions paid during the year	**412,551**	357,127

Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2012 and 30 June 2011		
Paid in cash	**336,549**	232,577
Satisfied by issue of Stapled Securities	**76,001**	124,557
Funds available (from)/for future distribution reinvestment plans	**1**	(7)
	412,551	357,127

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

Performance of Transurban's portfolio of assets
CityLink (Melbourne)
CityLink toll revenue for the year ended 30 June 2012 increased 8.5 per cent to $471.6 million on the back of a 1.9 per cent increase on average daily transactions.

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

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

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

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

Lane Cove Tunnel/Military Road e-Ramps (Sydney)
Toll revenue for the year ended 30 June 2012 was $60.0 million. Average daily trips decreased by 0.7 per cent compared to the previous year.

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

M1 Eastern Distributor (Sydney) – Airport Motorway Group
Toll revenue for the year ended 30 June 2012 for the M1 Eastern Distributor increased 0.6 per cent to $92.7 million. Average daily trips increased 0.7 per cent.

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

M5 Motorway (Sydney) - Interlink Roads Pty Limited
Toll revenue for the year ended 30 June 2012 for the M5 increased by 8.1 per cent to $181.1 million. Average daily trips decreased 0.1 per cent.

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

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

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

Review of operations (continued)

Performance of Transurban's portfolio of assets (continued)

Westlink M7 (Sydney) - Westlink Motorway Group

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

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

Pocahontas 895 (Virginia USA) - Transurban DRIVe

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

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

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

Business development activities

Capital Beltway (Virginia USA) - Transurban DRIVe

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

95 Express Lanes (Virginia USA) – Transurban DRIVe

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

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

Other corporate activities

Chief Executive Officer (CEO)

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

Review of operations (continued)
Refinancing activities
Transurban continued to have success in financing activities in the year ended 30 June 2012.

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

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

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

Matters subsequent to the end of the financial year
As noted above, on 1 August 2012, the Group reached financial close on the 95 Express Lanes project.

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

At the date of this report the Directors are not aware of any other circumstances that have arisen since 30 June 2012 that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

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

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

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

Information on Directors
Lindsay Maxsted Dip Bus, FCA

Chair and independent Non-executive Director

Term of office
Director since 1 March 2008. Chair since 12 August 2010.

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

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

Lindsay holds interests in 30,000 Stapled Securities.

Transurban Board Committee membership
Chair of the Nomination Committee and a member of the Audit and Risk Committee.

Christopher Lynch B Comm, MBA, FCPA, FAICD

Chief Executive Officer

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

Chris has experience in senior leadership roles in global corporations operating across multiple markets, and the development and operation of major projects with large up-front capital requirements. Chris came to Transurban from BHP Billiton, where he held senior roles, including as CFO and as Executive Director and Group President - Carbon Steel Materials. Prior to this the bulk of Chris's career was with Alcoa Inc where his roles included Vice President and CIO, CFO-Europe and Managing Director of KAAL Australia Limited.

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

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

Scott Charlton BSci, MBA (Texas)

Chief Executive Officer

Term of office
Director since 16 July 2012. CEO since 16 July 2012.

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

Scott does not hold interests in any Stapled Securities.

Information on Directors (continued)
Neil Chatfield M.Bus, FCPA, FAICD

Independent Non-executive Director

Term of office
Director since 18 February 2009.

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

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

Neil holds interests in 30,910 Stapled Securities.

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

Robert Edgar BEc (Hons), PhD, FAICD

Independent Non-executive Director

Term of office
Director since 21 July 2009.

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

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

Bob holds interests in 23,733 Stapled Securities.

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

Information on Directors (continued)
Samantha Mostyn BA, LLB
Independent Non-executive Director

Term of office
Director since 8 December 2010.

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

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

Sam holds interests in 10,300 Stapled Securities.

Transurban Board Committee membership
Member of the Remuneration and Nomination Committees.

Robert Officer BAgSc (Melb), MAgEc (New Eng), MBA, PhD (Chicago), FASSA, FINSIA
Non-independent Non-executive Director

Term of office
Director since 20 August 2010.

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

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

Bob holds interests in 20,115 Stapled Securities.

Transurban Board Committee membership
Member of the Nomination and Audit and Risk Committees.

Information on Directors (continued)
Christine O'Reilly BBus

Independent Non-executive Director

Term of office
Director since 12 April 2012.

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

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

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

Christine does not hold interests in any Stapled Securities.

Rodney Slater J.D., BS

Independent Non-executive Director

Term of office
Director since 22 June 2009.

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

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

Rodney does not hold interests in any Stapled Securities.

Transurban Board Committee membership
Member of the Nomination Committee.

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

Term of office
Director since 1 January 2012.

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

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

Ian holds interests in 70,000 Stapled Securities.

Company Secretaries

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

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

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

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

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

= Number of meetings held during the time the Director held office
* = Not a member of the relevant Board

The number of meetings of each Board Committee held during the year ended 30 June 2012, and the number of meetings attended by each Director, are set out in the following table.

	Audit and Risk Committee(1)		Remuneration Committee(2)		Nomination Committee(3)		Special purpose Sub-committees	
	Attended	Held#	Attended	Held#	Attended	Held#	Attended	Held#
Lindsay Maxsted	8	8	4	*	2	2	3	3
Christopher Lynch	8	*	4	*	2	*	3	3
Neil Chatfield	8	8	4	2	2	2	2	2
Geoffery Cosgriff (resigned 6 December 2011)	2	*	2	2	*	*	*	*
Jeremy Davis (resigned 6 December 2011)	3	3	2	2	*	*	*	*
Robert Edgar	8	8	5	4	1	2	*	*
Samantha Mostyn	*	*	5	2	1	2	*	*
Robert Officer	5	4	1	*	2	2	*	*
Christine O'Reilly (appointed 12 April 2012)	1	*	*	*	2	*	*	*
Rodney Slater	1	*	1	*	2	2	*	*
Ian Smith (appointed 1 January 2012)	*	*	*	*	1	*	*	*
Jennifer Eve (resigned 5 January 2012)	*	*	*	*	*	*	*	*
James Keyes (resigned 5 January 2012)	*	*	*	*	*	*	*	*

= Number of meetings held during the time the Director held office and was a member of the Committee
* = Not a member of the relevant Committee

(1) Chris Lynch, Geoffrey Cosgriff, Christine O'Reilly and Rodney Slater were not members of the Audit and Risk Committee but attended meetings during the year. Bob Officer attended a meeting prior to becoming a member.
(2) Lindsay Maxsted, Chris Lynch, Bob Officer and Rodney Slater were not members of the Remuneration Committee but attended meetings during the year. Neil Chatfield, Samantha Mostyn and Bob Edgar attended meetings prior to becoming members. Chris Lynch was excluded from discussions involving his remuneration during meetings which he attended.
(3) Chris Lynch, Christine O'Reilly and Ian Smith were not members of the Nomination Committee but attended meetings during the year.

2012 REMUNERATION REPORT (AUDITED)

INTRODUCTION

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

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

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

1 *On 30 January 2012, Transurban announced Chris Lynch's intention to resign as CEO, and on 3 April 2012, Transurban announced the appointment of Scott Charlton as CEO-elect, both with effect in July 2012.*
2 *On 2 May 2012, Transurban announced the appointment of Samantha Hogg as CFO following the resignation of Tom Honan, with immediate effect. Until 2 May 2012, Ms Hogg was Transurban's Group General Manager, Corporate Services. Ms Hogg has been a member of KMP for the full financial year.*

CONTENTS

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

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

Remuneration report (continued)

1 REMUNERATION SNAPSHOT

A THE NEW REMUNERATION FRAMEWORK

A new Group remuneration framework was implemented for the year ended 30 June 2012. Details of the new framework were summarised in the 2011 report, and security holders voted in favour of the adoption of that report at the 2011 Annual General Meeting (**AGM**).

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

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

Remuneration mix

The remuneration of the CEO and other Senior Executives was structured as a mix of fixed remuneration and variable or 'at risk' remuneration through short term and long term incentive components.

The relative weightings of the three remuneration components were as follows:

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

* Refer to page 18 for the new CEO's remuneration arrangements. The transition to the remuneration mix for Michael Kulper and Ken Daley will be achieved by FY2014.

** With 30 per cent STI deferral.

Short term incentive (STI)

In the year ended 30 June 2012, the performance measures for the STI plan were linked to growth in proportional EBITDA, cost management based on proportional net costs, safety, and performance against individual KPIs.

In the year ended 30 June 2012, mandatory deferral of 30 per cent of the overall STI award was introduced for the CEO and other Senior Executives.

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

Long term incentive (LTI)

In the year ended 30 June 2012, the performance measures for the LTI plan were as follows:

- 50 per cent relative Total Shareholder Return (**TSR**) measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150; and
- 50 per cent Free Cash Flow (**FCF**) per security, reflecting the Group's focus on the maximisation of free cash flow to drive security holder return. The definition of FCF per security is set out on page 26. The FCF calculation is included in note 21 of the audited financial statements.

Remuneration report (continued)

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

CEO transition

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

A summary of Mr Lynch's entitlements on resignation is set out on page 18. Further details of Mr Lynch's resignation arrangements and remuneration details for any part of the year ended 30 June 2013 worked by Mr Lynch will be set out in the 2013 report.

The remuneration arrangements for Mr Charlton were designed in accordance with the Group's remuneration strategy: to ensure alignment of reward with the creation of security holder value and with the achievement of corporate objectives as determined by the Board. They were developed with the benefit of input from remuneration consultants and Australian peer company benchmark data. Mr Charlton's remuneration package was disclosed at the time of his appointment as CEO-elect and is outlined on page 18.

CFO transition

On 2 May 2012, Transurban announced Tom Honan's resignation as CFO and the appointment of Samantha Hogg to the role with immediate effect. Details of Mr Honan's entitlements on resignation are set out on page 19. Details of Ms Hogg's remuneration are set out elsewhere in this report. Her remuneration arrangements as CFO were designed in accordance with the Group's remuneration strategy and were developed with the benefit of Australian peer company benchmark data.

Legislative changes to executive remuneration

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

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

Remuneration report (continued)

2 REMUNERATION GOVERNANCE

A BOARD AND REMUNERATION COMMITTEE RESPONSIBILITY

The Remuneration Committee assists the Board in fulfilling its responsibilities relating to the remuneration of Directors, the remuneration of, and incentives for, the CEO and other Senior Executives, and remuneration practices, strategies and disclosures generally. The Committee also reviews gender pay equity.

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

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

B ENGAGEMENT OF REMUNERATION CONSULTANTS

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

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

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

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

Remuneration report (continued)

3 REMUNERATION IN CONTEXT

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

The Group is an international toll road developer and manager with interests in Australia and the US. The Group is focused on the long term management of toll road assets at various stages of maturity to achieve the best outcomes for investors, Government partners and the community. In Australia, the Group's interests include 100 per cent ownership of CityLink in Melbourne, and Hills M2 and Lane Cove Tunnel in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1 per cent), the M5 (50 per cent), and the Westlink M7 (50 per cent). In North America, the Group has interests in two assets, Pocahontas 895 (75 per cent) and the Capital Beltway Express (67.5 per cent), which is under construction in Northern Virginia.

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

Remuneration report (continued)

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

A REMUNERATION STRATEGY AND POLICY

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

Creating Security Holder Value

↓

Remuneration Strategy

Attract, retain, motivate and reward executives who are critical to the Group's growth and success by:

- Offering competitive remuneration that is benchmarked against the external market.
- Providing a balance of fixed and variable or 'at risk' remuneration.

Align executive reward with individual and Group performance by:

- Making short and long term components of remuneration 'at risk' based on performance.
- Assessing rewards against appropriate financial and non-financial performance measures.
- Encouraging executive security holdings.

↓

Remuneration Structure

Fixed remuneration

Total Employment Cost (TEC):

- Comprises cash salary, superannuation and other prescribed benefits.
- Provides a base level of reward for effective completion of Group and specific accountabilities.
- Appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

Variable (or 'at risk') remuneration

Short term incentive (STI):

- Annual rewards tied to pre-determined individual and Group performance measures, and includes a deferred element.
- Individual targets reflect individual specific accountabilities and key drivers for growth and success.
- Group performance targets linked to earnings, cost management and safety.

Long term incentive (LTI):

- Equity rewards to align executive and security holder interests.
- Vest after three years, subject to achievement of pre-determined internal and external performance measures.
- Encourages sustainable performance in the medium to longer term, and provides a retention element.

Remuneration report (continued)

B CHANGE OF CEO AND CFO - TRANSITION ARRANGEMENTS

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

• he will receive an STI award for the year ended 30 June 2012, to be awarded at 116 per cent of his current TEC based on performance against applicable performance targets (see page 24). The cash component of the award (70 per cent or $1,764,963) will be paid in August 2012. The deferred (into equity) component of the award (30 per cent or $756,413) will vest, subject to clawback provisions, on 30 June 2014;

• he is contractually entitled to receive an STI award for the 30 days worked in the year ended 30 June 2013, and will receive a pro rated 'target' level payment for the 30 days ($178,652) after satisfying performance targets for the period which related to his role in a successful CEO transition process; The award will be paid in cash in August 2012;

• equity instruments previously granted to him under the Group’s LTI plans will continue on foot in accordance with their original terms, with the applicable performance measures for each grant to be tested at the end of the applicable original performance period;

• as he is contractually entitled to receive an LTI award for every day he is employed by the Group, the Board determined to pay him $1,060,000 in lieu of an LTI grant earned but not received for a 6 month period during his tenure. The cash sum will be paid in August 2012;

• as he worked out his notice period, he will not receive any amount in lieu of notice; and

• he will not receive any ex gratia payments on separation.

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

Incoming CEO - Scott Charlton

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

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

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

• Total fixed remuneration (TEC) of $1,875,000; and

• Variable annual remuneration comprised of a STI target opportunity of 30 per cent of his total remuneration package ($1,406,250); and an LTI target opportunity of 30 per cent of his total remuneration package ($1,406,250).

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

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

Remuneration report (continued)

Outgoing CFO - Tom Honan

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

• he received a sum equivalent to 3 months TEC as a payment in lieu of notice ($246,160);

• he was paid a cash sum equivalent to the pro rata vesting of his STI award for the year ended 30 June 2012, calculated based on performance against the applicable performance hurdles during the 10 month period from the start of the year up until the date his employment ceased ($475,000);

• equity instruments previously granted to him under the Group’s LTI plans lapsed in accordance with their original terms ($962,416 forfeited); and

• he did not receive any ex gratia payments on separation.

Further details of Mr Honan’s resignation payments can be found on page 30.

C REMUNERATION MIX

For the year ended 30 June 2012, the remuneration of the CEO and other Senior Executives was structured as a mix of fixed remuneration and variable (or 'at risk') remuneration through short term and long term incentive components.

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

Relative weightings of remuneration components [1]

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

[1]These figures do not necessarily reflect the relative value derived from each of the components, which depends on actual performance against targets for the variable components (refer to page 20). The above STI percentages are based on achieving the relevant performance targets. The above LTI percentages are based on the maximum LTI available at the time of grant to each Senior Executive if the awards granted vest at the end of the performance period. The table above reflects the percentage value of remuneration which consists of rights for each KMP.

[2]Refer to page 18 for the new CEO's remuneration arrangements. The transition to the remuneration mix for Michael Kulper and Ken Daley will be achieved over a maximum of three years (or by FY2014).

Remuneration report (continued)

D FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

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

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

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

How is TEC determined?

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

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

E SHORT TERM INCENTIVE (STI)

How does the STI plan operate?

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

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

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

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

Remuneration report (continued)

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

There were two categories of STI performance measures for the CEO and other Senior Executives for the year ended 30 June 2012. They were chosen to provide a balance between corporate, individual, operational, strategic, financial and non-financial aspects of performance and are described below.

STI performance measures and targets for FY2012

Measure	% weighting	Description of targets/indicators for FY2012
Group performance targets	**20%**	**(1) Growth in proportional EBITDA** The proportional EBITDA targets for FY2012 were set against the previous year's results and the Group's FY2012 budget, and are set out below:
	20%	**(2) Cost management based on proportional net costs** The proportional net costs targets for FY2012 were set against the previous year's results and the Group's FY2012 budget, and are set out below:
	10%	**(3) Safety targets**, including multiple indicators that focus on improving the Group's safety culture and reducing workplace injuries for employees and contractors.
Individual key performance indicators (KPIs)	**50%**	Individual KPIs are unique to the individual's area of accountability, and in FY2012 related to critical business sustainability measures, including: operational performance; cost reduction; customer satisfaction; project outcomes; succession planning; risk management; people management; strategy development; and business plan implementation. Individual KPIs reflect the behaviours valued by the Group, and are capable of measurement. Individuals have a clear line of sight to KPIs and are able to directly affect outcomes through action.

Proportional EBITDA result	% of STI that vests^
Less than 7% above forecast underlying result for FY2011	**0%**
7% above forecast underlying result for FY2011	**50%**
Budget EBITDA for FY2012 (9% increase on result for FY2011)	**100%**
17% above forecast underlying result for FY2011	**150%**

^ Straight line vesting applies between 50-100% and 100-150%.

Proportional net costs result	% of STI that vests^
Over budget for FY2012	**0%**
On budget for FY2012	**50%**
5% below budget for FY2012	**100%**
10% below budget for FY2012	**150%**

^ Straight line vesting applies between 50-100% and 100-150%.

Who sets the STI performance measures?

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

Remuneration report (continued)

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

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

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

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

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

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

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

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

The use of a cost related STI performance measure reflects the fact that Management has the ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and free cash flow and ultimately security holder value.

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

How are the varying levels of performance achievement rewarded?

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

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

Remuneration report (continued)

How is performance assessed?

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

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

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

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

What if a Senior Executive ceases employment?

Under the service agreements for Senior Executives (other than the CEO - refer to page 18) in place for the year ended 30 June 2012, if a Senior Executive ceased employment with the Group before performance against STI targets was assessd, they would generally not be entitled to receive any STI award, unless otherwise determined by the Board.

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

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

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

Remuneration report (continued)

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

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

1 On-target performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI in respect of FY2012 was nil. The maximum potential value of the STI was the "Actual STI awarded".
2 The cash STI payments in respect of FY2012 will be paid in August 2012. The STI deferred component for FY2012 (30 per cent of the actual STI awarded) will vest, subject to continuity of employment (unless otherwise determined by the Board) and clawback provisions, on 30 June 2014.
3 Tom Honan received an STI pro-rated and awarded based on individual performance and Group performance on his resignation in May 2012. The Board determined to waive the deferred element of this award and pay it in cash.

F LONG TERM INCENTIVE (LTI)

How does the LTI plan operate?

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

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

LTI grants are delivered in the form of performance awards under the Group's Performance Awards Plan (**PAP**). Each performance award is an entitlement to receive a fully paid Transurban security on terms and conditions determined by the Board, subject to the achievement of certain vesting conditions linked to performance over a three year period. If the performance measures are satisfied, the performance awards vest and Transurban securities are delivered to the participant. Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, and certain US based participants may be required to receive cash settled awards, the Board generally intends to settle any vested performance awards in Transurban securities.

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

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

Remuneration report (continued)

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

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

LTI performance measures for FY2012

Measure	% weighting	Description of measure
Relative TSR	**50%**	Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification Standards (GICS) sectors of the ASX150. The other 33 companies in this group are: Singapore Telecommunications Ltd, Telstra Corporation Ltd, Westfield Group, QR National Ltd, Westfield Retail Trust, Stockland, Leighton Holdings Ltd, AGL Energy Ltd, MAP Group, GPT Group, Goodman Group, CFS Retail Property Trust, Lend Lease Group, Asciano Ltd, Qantas Airways Ltd, Dexus Property Group, Mirvac Group, Telecom Corporation of New Zealand Ltd, Toll Holdings Ltd, SP Ausnet, APA Group, Commonwealth Property Office Fund, UGL Ltd, ConnectEast Group, Boart Longyear Ltd, Investa Office Fund, Spark Infrastructure Group, Charter Hall Office Reit, Australand Property Group, Monadelphous Group Ltd, Duet Group, TPG Telecom Ltd and Australian Infrastructure Fund. TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income which was reinvested on a pre-tax basis. For performance awards granted during the year ended 30 June 2012, the relative TSR component will vest on a straight line basis if the Group's relative TSR performance is above the median of the bespoke comparator group at the end of a three year performance period, in accordance with the following table:

TSR vesting schedule:

The Group's relative TSR ranking in the comparator group	% of performance awards that vest
At or below the 50% percentile	Nil
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50% and 100%
At or above the 75th percentile	100%

Remuneration report (continued)

Measure	% weighting	Description of measure
Growth in Free Cash Flow (FCF) per security	**50%**	Within Transurban, FCF per security is defined as: • the Group's cash flow from operating activities; • less: cash flows from operating activities of non-100% owned controlled assets; • add back: maintenance capital expenditure for 100% owned assets; • less: accounting charge for maintenance provision for the year; • less: actual tag expenditure in 100% owned assets; • add: dividends received from non 100% owned assets; • divided by: weighted average number of securities issued. The FCF calculation is included in note 21 of the audited financial statements. For performance awards granted during the year ended 30 June 2012, the FCF per security component will vest based on the Group's compound annual growth in FCF per security over the three year performance period, as set out below: ***Growth in FCF per security vesting schedule:***

% compound annual growth in FCF per security	% of performance awards that vest
7%	50%
Between 7% and 10%	Straight line vesting between 50% and 100%
10% or more	100%

For performance awards granted during the year ending 30 June 2013, the performance target range for compound growth in FCF per security is between 6 per cent and 9 per cent.

Why were these LTI performance measures selected?

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

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

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

Remuneration report (continued)

How will the LTI performance targets be measured?

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

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

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

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

What if a Senior Executive ceases employment?

Under the terms of the service agreements for Senior Executives (other than the CEO - refer to page 18) in place for the year ended 30 June 2012, if a Senior Executive ceased employment with the Group before the performance measures were tested, then their unvested performance awards would lapse, unless otherwise determined by the Board.

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

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

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

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

Performance awards granted in FY2012

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

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

Remuneration report (continued)

Performance Awards granted in FY2012

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

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

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

3 The maximum value of the grant has been estimated based on the fair value per instrument at date of grant. The minimum total value of the grant, if the applicable performance measures are not met, is nil.

4 Performance awards lapse where the performance measures are not satisfied on testing. As the performance awards only vest on satisfaction of performance and service conditions which are to be tested in future financial periods, Tom Honan forfeited 171,058 awards. The value of the forfeited awards was $684,232. No other Senior Executives forfeited performance awards during the year.

Remuneration report (continued)

G LEGACY LTI PLANS

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

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

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

The FY2009 Executive Equity Plan and the FY2009 PAP vested on 1 November 2011. Regarding the FY2009 PAP, 90 per cent of awards subject to the TSR performance measure vested based on the Group's ranking against the constituents of the S&P/ASX 100. 99.43 per cent of awards subject to the proportional EBITDA measure vested based on performance against target. In total 5.28 per cent of awards lapsed.

Remuneration report (continued)

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

H REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

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

Remuneration report (continued)

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

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

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

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

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

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

I ADDITIONAL REMUNERATION INFORMATION

EMPLOYEE SECURITY PLANS

The Group has three broad employee based security plans.

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

Eligible employees received a grant of 100 securities at no cost to them on 20 February 2012. Due to legal restrictions on the issue of securities to US residents, eligible employees in the US received a cash payment of equivalent value in lieu of securities.

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

Remuneration report (continued)

ShareLink Investment Tax Exempt Plan and ShareLink Investment Tax Deferred Plan

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

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

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

DEALINGS IN SECURITIES

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

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

SERVICE AGREEMENTS

The remuneration and other terms of employment for the CEO and other Senior Executives are formalised in service agreements which have no specified term.

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

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

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

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

Remuneration report (continued)

5 LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

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

A GROUP PERFORMANCE AND STI

For the year ended 30 June 2012, 20 per cent of the Senior Executive STIs were determined with reference to proportional EBITDA, 20 per cent with reference to proportional net costs, and 10 per cent with reference to safety as discussed on page 21.

Proportional EBITDA
The underlying proportional EBITDA result for the year ended 30 June 2012 was $784.0 million, a 9.1 per cent increase from the prior year result. This resulted in the payment of 93.4 per cent of STI's attributable to proportional EBITDA. The proportional EBITDA result was driven by the Group's continued focus on cost control and the performance of the asset portfolio. This result was delivered despite significant disruption caused by construction on Sydney's Hills M2 Motorway.

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

Safety
For the year ended 30 June 2012, the safety performance measure resulted in a zero STI payment for Senior Executives based in Australia, and 150 per cent for Senior Executives based in the US. The safety KPI target included several components as discussed on page 21 of which a reduction in recordable injury frequency rate was one. Strong results were attained for some aspects of the Australian safety measure, however other areas did not meet all targets.

B GROUP PERFORMANCE AND LTI

For the year ended 30 June 2012, LTIs were linked to relative TSR and, for the first time, FCF per security (see pages 25 and 26).

Relative TSR
The relative TSR for the year ended 30 June 2012 is calculated on a bespoke comparator group from the ASX150 (see page 25).

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

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

Remuneration report (continued)

Group Performance[1]

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

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

1 For FY2012, LTIs were linked to relative TSR and FCF per security. In prior years, LTIs were linked to relative TSR and proportional EBITDA.
2 The TSR performance is the total security holder return for that financial year.

Remuneration report (continued)

6 NON-EXECUTIVE DIRECTOR REMUNERATION

A REMUNERATION POLICY

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

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

B REMUNERATION ARRANGEMENTS

Maximum aggregate remuneration

The amount of aggregate remuneration that may be paid to Non-executive Directors in any year is capped at a level approved by security holders. The current aggregate fee pool of $2,400,000 per year (inclusive of superannuation contributions) was approved by security holders at the 2010 AGM. No change to this amount is proposed for the year ending 30 June 2013.

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

2012 Non-executive Director fees

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

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

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

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

Remuneration report (continued)

Non-executive Directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during the year ended 30 June 2012. Non-executive Directors are also entitled to be reimbursed for all business related expenses, including travel, as may be incurred in the discharge of their duties.

Retirement benefits
No current Non-executive Directors are entitled to any retirement benefits.

In September 2005, the Board resolved to discontinue previously provided retirement benefits for Non-executive Directors with effect from 30 September 2005. The value of benefits accrued up to that date attracted interest at the statutory fringe benefits rate. Accrued 'frozen' retirement benefits plus interest were paid to Geoff Cosgriff and Jeremy Davis on their retirement from the Board on 6 December 2011.

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

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

ShareLink Investment Tax Deferred Plan
Under the ShareLink Investment Tax Deferred Plan, Non-executive Directors are able to sacrifice up to 50 per cent of their pre tax fees to acquire up to $5,000 of Transurban securities per year. No securities were issued to Non-executive Directors under the plan for the year ended 30 June 2012.

Remuneration report (continued)

C REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

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

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

1 Superannuation contributions made on behalf of Non-executive Directors to satisfy the Group's obligations under applicable superannuation guarantee legislation.
2 Amounts represent contractual retirement benefits paid (in the year ended 30 June 2012) and provided for (in the year end 30 June 2011) for two former Non-executive Directors. No current Non-executive Directors are entitled to any retirement benefits.
3 Retirement benefits are excluded from the amount of aggregate remuneration that may be paid to Non-executive Directors in any year.

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

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

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

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

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

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

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

This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the insurer, the limit of liability and the premium paid for this policy.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 40.

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

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

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

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
7 August 2012

Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holdings Limited and the Transurban Holdings Limited Group for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

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

John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
7 August 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Transurban Holdings Limited ABN 86 098 143 429
Annual report - 30 June 2012

Contents

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

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

Level 3
505 Little Collins Street
Melbourne VIC 3000

The financial report was authorised for issue by the Directors on 7 August 2012. The Directors have the power to amend and reissue the financial report.

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

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

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

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

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

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

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

	Notes	Attributable to members of Transurban Holdings Limited					
		Contributed equity $'000	**Reserves $'000**	**Accumulated losses $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2010		**7,656,383**	**52,594**	**(3,836,959)**	**3,872,018**	**304,491**	**4,176,509**
Comprehensive income							
Profit (loss) for the year		-	-	140,915	140,915	(22,757)	118,158
Other comprehensive income		-	(30,193)	-	(30,193)	5,364	(24,829)
Total comprehensive income		**-**	**(30,193)**	**140,915**	**110,722**	**(17,393)**	**93,329**
Transactions with owners in their capacity as owners:							
Treasury securities	19	91	-	-	91	12	103
Distribution reinvestment plan	19	115,831	-	-	115,831	8,719	124,550
Distributions provided for or paid	20	-	-	(389,463)	(389,463)	-	(389,463)
Distributions to non-controlling interest		-	-	-	-	(17,226)	(17,226)
Changes in value of share-based payment reserve	20	(188)	4,060	81	3,953	596	4,549
		115,734	4,060	(389,382)	(269,588)	(7,899)	(277,487)
Balance at 30 June 2011		**7,772,117**	**26,461**	**(4,085,426)**	**3,713,152**	**279,199**	**3,992,351**
Balance at 1 July 2011		**7,772,117**	**26,461**	**(4,085,426)**	**3,713,152**	**279,199**	**3,992,351**
Comprehensive income							
Profit (loss) for the year		-	-	282,431	282,431	(223,873)	58,558
Other comprehensive income		-	(162,813)	-	(162,813)	(34,980)	(197,793)
Total comprehensive income		**-**	**(162,813)**	**282,431**	**119,618**	**(258,853)**	**(139,235)**
Transactions with owners in their capacity as owners:							
Treasury securities	19	1,433	-	-	1,433	207	1,640
Distribution reinvestment plan	19	72,961	-	-	72,961	3,040	76,001
Distributions provided for or paid	20	-	-	(429,203)	(429,203)	-	(429,203)
Distributions to non-controlling interest		-	-	-	-	(13,610)	(13,610)
Changes in value of share-based payment reserve	20	1,401	(1,988)	153	(434)	(385)	(819)
		75,795	(1,988)	(429,050)	(355,243)	(10,748)	(365,991)
Balance at 30 June 2012		**7,847,912**	**(138,340)**	**(4,232,045)**	**3,477,527**	**9,598**	**3,487,125**

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

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

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

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

The Group's current liabilities exceed its current assets by $90.1 million as at 30 June 2012. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal operations, as the Group is trading profitably and has continually been able to refinance maturing debt. In addition, at 30 June 2012 the Group has available a total of $398.2 million of undrawn borrowing facilities.

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

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

Early adoption of standards
The Group has not elected to adopt any new accounting standard early.

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

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

(b) Principles of consolidation

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

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

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

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

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

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

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

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

(c) Segment reporting

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

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

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

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

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

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

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

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

(e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

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

(f) Income tax

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

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

(g) Leases

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

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

(h) Business combinations

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

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

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

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

1 Summary of significant accounting policies (continued)

(i) Impairment of assets

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

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

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

(j) Cash and cash equivalents

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

(k) Investments and other financial assets

Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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

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

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

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

Recognition and derecognition

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

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

Subsequent measurement

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

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

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Impairment

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

(l) Derivatives and hedging activities

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

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

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

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

Fair value hedges

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

1 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

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

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

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

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

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

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

(m) Property, plant and equipment

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(n) Intangible assets

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

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

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

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

(o) Financial liabilities

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

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

(p) Borrowings

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

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

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

1 Summary of significant accounting policies (continued)

(q) Borrowing costs

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

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

(r) Provisions

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

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

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

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

(s) Employee benefits

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

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

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

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

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

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

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

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

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

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

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

(t) Contributed equity

Stapled securities are classified as equity.

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

1 Summary of significant accounting policies (continued)

(t) Contributed equity (continued)

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

(u) Parent entity financial information

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

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

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

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

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

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

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

(v) Goods and Services Tax (GST)

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

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

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

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

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

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

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

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

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

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

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

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

2 Segment information

Description of segments

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

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

The following assets are included in the operating segments:

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

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

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

The Group's corporate function is not an operating segment under the requirements of AASB 8 as its revenue generating activities are only incidental to the business. Management have aggregated and disclosed the corporate business units as the contribution to the business is closely monitored.

The operating segments have been further broken down by asset to assist with external analysis of the financial statements.

Segment information - Proportional Income Statement

The CEO and Executive Committee assesses the performance of the operating segments based on a measure of underlying proportional EBITDA. EBITDA excludes the impact of interest income and expense which have been presented by segment where applicable. Interest income and expense are allocated across segments where the charges are related specifically to the assets. Otherwise they have been allocated to the Corporate function.

The segment information provided to the Executive Committee is presented on a proportional basis. The information for the reportable segments for the year ended 30 June 2012 and 30 June 2011 is detailed in the following tables.

2 Segment information (continued)

Segment information - Proportional Income Statement (continued)

30 June 2012	**Victoria**	**New South Wales**							**USA**				**Corporate**	**Total**
$'000	**CityLink 100.0%**	Hills M2 100.0%	Lane Cove Tunnel 100.0%	M1 Eastern Distributor 75.1%	M5 50.0%	M7 50.0%	Roam & Tollaust 100.0%	**Total NSW**	Pocahontas 895 75.0%	Capital Beltway 67.5%	Other Transurban DRIVe 75.0%	**Total Transurban DRIVe**	**100.0%**	
Toll revenue	**471,618**	141,171	59,966	69,599	90,532	100,237	-	**461,505**	10,750	-	-	**10,750**	**-**	**943,873**
Fee and other revenue	**44,803**	3,315	1,641	157	5,802	1,311	23,524	**35,750**	105	-	-	**105**	**22,649**	**103,307**
Total revenue	**516,421**	144,486	61,607	69,756	96,334	101,548	23,524	**497,255**	10,855	-	-	**10,855**	**22,649**	**1,047,180**
Underlying proportional EBITDA	**404,302**	113,820	35,422	49,027	82,276	78,656	9,856	**369,057**	6,981	-	(3,955)	**3,026**	**7,599**	**783,984**
Proportional EBITDA	**404,302**	113,820	35,422	49,027	82,276	78,656	9,856	**369,057**	6,981	-	(3,955)	**3,026**	**7,599**	**783,984**
Interest revenue	**8,231**	1,135	860	39,664	831	2,313	608	**45,411**	3	1,501	-	**1,504**	**93,325**	**148,471**
Interest expense	**(74,508)**	(35,155)	(20,321)	(48,381)	(20,438)	(138,203)	(6)	**(262,504)**	(19,499)	-	-	**(19,499)**	**(172,580)**	**(529,091)**
Depreciation and amortisation	**(144,809)**	(64,267)	(24,559)	(38,980)	(43,265)	(33,923)	(1,247)	**(206,241)**	(14,348)	-	-	**(14,348)**	**(14,699)**	**(380,097)**
Impairment of assets	**-**	-	-	-	-	-	-	**-**	(302,490)	-	-	**(302,490)**	**-**	**(302,490)**
Proportional profit (loss) before tax	**193,216**	15,533	(8,598)	1,330	19,404	(91,157)	9,211	**(54,277)**	(329,353)	1,501	(3,955)	**(331,807)**	**(86,355)**	**(279,223)**
Income tax benefit (expense)	**(11,319)**	22,544	(1,216)	7,269	(14,654)	20,071	(2,764)	**31,250**	73,959	-	2,972	**76,931**	**54,312**	**151,174**
Proportional net profit (loss)	**181,897**	38,077	(9,814)	8,599	4,750	(71,086)	6,447	**(23,027)**	(255,394)	1,501	(983)	**(254,876)**	**(32,043)**	**(128,049)**

2 Segment information (continued)

Segment information - Proportional Income Statement (continued)

30 June 2011	**Victoria**	**New South Wales**							**USA**				**Corporate**	**Total**
$'000	**CityLink** 100.0%	Hills M2 100.0%	Lane Cove Tunnel 100.0%	M1 Eastern Distributor 75.1%	M5 50.0%	M7 50.0%	Roam & Tollaust 100.0%	**Total NSW**	Pocahontas 895 75.0%	Capital Beltway 67.5%	Other Transurban DRIVe 75.0%	**Total Transurban DRIVe**	**100.0%**	
Toll revenue	**434,581**	145,728	51,718	69,170	83,730	95,291	-	**445,637**	10,818	-	-	**10,818**	**-**	**891,036**
Fee and other revenue	**42,026**	2,019	1,310	200	5,405	1,252	22,348	**32,534**	19	-	-	**19**	**7,354**	**81,933**
Total revenue	**476,607**	147,747	53,028	69,370	89,135	96,543	22,348	**478,171**	10,837	-	-	**10,837**	**7,354**	**972,969**
Underlying proportional EBITDA	**382,069**	119,739	29,807	52,382	75,171	74,658	8,522	**360,279**	6,321	-	(4,114)	**2,207**	**(25,871)**	**718,684**
One off items	**-**	-	-	-	-	-	-	**-**	-	-	-	**-**	**18,625**	**18,625**
Proportional EBITDA	**382,069**	119,739	29,807	52,382	75,171	74,658	8,522	**360,279**	6,321	-	(4,114)	**2,207**	**(7,246)**	**737,309**
Interest revenue	**6,573**	2,096	680	128,133	840	1,987	629	**134,365**	59	1,595	-	**1,654**	**89,980**	**232,572**
Interest expense	**(83,255)**	(41,012)	(17,815)	(124,189)	(20,508)	(130,214)	(2)	**(333,740)**	(18,775)	-	-	**(18,775)**	**(148,254)**	**(584,024)**
Depreciation and amortisation	**(145,329)**	(63,847)	(21,867)	(38,980)	(44,086)	(34,201)	(1,518)	**(204,499)**	(7,750)	-	-	**(7,750)**	**(4,807)**	**(362,385)**
Proportional profit (loss) before tax	**160,058**	16,976	(9,195)	17,346	11,417	(87,770)	7,631	**(43,595)**	(20,145)	1,595	(4,114)	**(22,664)**	**(70,327)**	**23,472**
Income tax benefit (expense)	**(11,076)**	14,537	(757)	(19,085)	(15,274)	17,534	(2,279)	**(5,324)**	10,097	-	(3,774)	**6,323**	**34,430**	**24,353**
Proportional net profit (loss)	**148,982**	31,513	(9,952)	(1,739)	(3,857)	(70,236)	5,352	**(48,919)**	(10,048)	1,595	(7,888)	**(16,341)**	**(35,897)**	**47,825**

2 Segment information (continued)

Other segment information - Proportional income statement

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

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

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

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

Segment revenue reconciles to total statutory revenue as follows:

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

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

Interest revenue reconciles to total statutory finance income as follows:

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

2 Segment information (continued)

Other segment information - Proportional income statement (continued)

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

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

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

One off items are:

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

2 Segment information (continued)

Segment information - Segment assets

The segment information provided to the CEO and Executive Committee in respect of assets is presented on a statutory consolidated basis. The assets are allocated based on the physical location of the asset. The information for the reportable segments for the periods ended 30 June 2012 and 30 June 2011 is as follows:

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

2 Segment information (continued)

Segment information - Segment assets (continued)

30 June 2011	**Victoria**	**New South Wales**							**USA**	**Corporate**	**Total**
	CityLink	Hills M2	Lane Cove Tunnel	M1 Eastern Distributor	M5	M7	Roam & Tollaust	**Total New South Wales**	**Transurban DRIVe**		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Total segment assets	**3,536,074**	2,222,608	645,192	2,110,444	383,890	724,225	46,908	**6,133,267**	**140,944**	**593,245**	**10,403,530**
Total segment assets include:											
Investments in associates and joint venture partnerships	**-**	-	-	-	383,890	-	-	**383,890**	**140,944**	**-**	**524,834**
Additions to non-current assets (other than financial assets and deferred tax)	**94,966**	138,777	648,199	-	-	-	1,546	**788,522**	**-**	**38,357**	**921,845**

3 Revenue

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

(a) Toll and fee revenue

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

(b) Other road revenue

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

(c) Construction revenue

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

(d) Business development revenue

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

4 Expenses

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

4 Expenses (continued)

	30 June 2012 $'000	30 June 2011 $'000
Provision for maintenance recognised during the year	**18,945**	14,748
M4 handback provision and reversal of contingent liability recognised on acquisition	**-**	(18,625)

	30 June 2012 $'000	30 June 2011 $'000
Concession fees (road operating cost) are attributable to:		
Hills M2 Motorway	**1,476**	1,280
M1 Eastern Distributor	**1,722**	1,689
	3,198	2,969
Depreciation and amortisation expense		
Road operating cost	**287,073**	285,008
Corporate cost	**14,568**	4,427
	301,641	289,435

5 Net finance costs

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

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

6 Income tax benefit

Income tax benefit

	30 June 2012 $'000	30 June 2011 $'000
Current tax	**54,793**	31,084
Deferred tax	**(111,748)**	(47,973)
Under (over) provision in prior years	**(14,249)**	7,503
	(71,204)	(9,386)
Deferred income tax (benefit) expense included in income tax benefit comprises:		
(Increase) decrease in deferred tax assets (note 13)	**(49,544)**	(81,669)
(Decrease) increase in deferred tax liabilities (note 13)	**(62,204)**	33,696
	(111,748)	(47,973)

Numerical reconciliation of income tax benefit to prima facie tax payable

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

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

Cash flow hedges (note 20)	**(43,823)**	(12,560)
Foreign currency translation (note 20)	**192**	(432)
	(43,631)	(12,992)

6 Income tax benefit (continued)

Tax consolidation legislation

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

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

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

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

7 Current assets - Cash and cash equivalents

	30 June 2012 $'000	30 June 2011 $'000
Cash at bank and in hand	**318,148**	411,880
	318,148	411,880

All cash balances are interest bearing.

Funds not for general use

The amount shown in Cash at Bank includes $68.0 million not available for general use at 30 June 2012 (2011: $77.8 million). This comprises amounts required to be held under maintenance and funding reserves, and prepaid tolls, which are restricted from general use.

8 Current assets - Trade and other receivables

	30 June 2012 $'000	30 June 2011 $'000
Trade receivables	**36,440**	31,817
Provision for impairment of receivables	**(973)**	(1,185)
	35,467	30,632
Infrastructure bond interest receivable	**-**	149,370
Other receivables	**37,103**	32,204
Prepayments	**5,850**	5,354
	78,420	217,560

Provision for impaired trade and other receivables

As at 30 June 2012 current trade receivables of the Group with a nominal value of $973,000 (2011: $1,185,000) were considered impaired and accordingly the Group held a provision for impairment of $973,000 (2011: $1,185,000). As at 30 June 2012, trade receivables of $9,783,000 (2011: $2,097,000) were past due but not impaired.

The ageing of these receivables is as follows:

For the year ended 30 June 2012	**Not Impaired $'000**	**Impaired $'000**	**Allowance for Doubtful Debts $'000**
Trade and other receivables			
Current (not past due)	25,684	265	265
less than 30 days overdue	9,194	66	66
more than 30 but less than 60 days overdue	491	50	50
more than 60 but less than 90 days overdue	88	54	54
more than 90 days overdue	10	538	538
	35,467	973	973

For the year ended 30 June 2011	Not Impaired $'000	Impaired $'000	Allowance for Doubtful Debts $'000
Trade and other receivables			
Current (not past due)	28,535	732	732
less than 30 days overdue	1,617	22	22
more than 30 but less than 60 days overdue	327	114	114
more than 60 but less than 90 days overdue	52	42	42
more than 90 days overdue	101	275	275
	30,632	1,185	1,185

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

8 Current assets - Trade and other receivables (continued)

Provision for impaired trade and other receivables (continued)

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

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

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

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

9 Equity accounted investments

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

Summarised financial information of equity accounted investments

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

9 Equity accounted investments (continued)

Summarised financial information of equity accounted investments (continued)

2011					
Westlink M7	50	997,769	(1,404,116)	96,544	(70,236)
M5 Motorway	50	682,555	(298,665)	89,135	(3,857)
Transurban DRIVe	75	1,376,446	(1,235,502)	10,837	(16,341)
		3,056,770	(2,938,283)	196,516	(90,434)

	Westlink M7		M5 Motorway		Transurban DRIVe		Total	
	30 June 2012 $'000	30 June 2011 $'000	**30 June 2012 $'000**	30 June 2011 $'000	**30 June 2012 $'000**	30 June 2011 $'000	**30 June 2012 $'000**	30 June 2011 $'000
Movement in carrying amounts								
Carrying amount 1 July	**-**	-	**383,890**	428,747	**140,944**	170,712	**524,834**	599,459
Investments in associates	**-**	-	**50**	-	**17,586**	28,103	**17,636**	28,103
Share of profits / (losses) after tax	**-**	-	**4,750**	(3,857)	**(142,696)**	(16,341)	**(137,946)**	(20,198)
Distributions received	**-**	-	**(53,500)**	(41,000)	**-**	-	**(53,500)**	(41,000)
Movement in exchange rate	**-**	-	**-**	-	**24,162**	(52,957)	**24,162**	(52,957)
Movement in reserves	**-**	-	**-**	-	**(39,996)**	11,427	**(39,996)**	11,427
Carrying amount at 30 June	**-**	-	**335,190**	383,890	**-**	140,944	**335,190**	524,834
Share of profits or losses								
Profit/(loss) before tax	**-**	-	**19,404**	11,417	**(191,707)**	(22,664)	**(172,303)**	(11,247)
Income tax (expense)/benefit	**-**	-	**(14,654)**	(15,274)	**49,011**	6,323	**34,357**	(8,951)
	-	-	**4,750**	(3,857)	**(142,696)**	(16,341)	**(137,946)**	(20,198)
Shares of losses not recognised								
Balance at 1 July	**341,496**	271,260	**-**	-	**-**	-	**341,496**	271,260
Unrecognised losses for the year	**71,086**	70,236	**-**	-	**106,573**	-	**177,659**	70,236
Balance at 30 June	**412,582**	341,496	**-**	-	**106,573**	-	**519,155**	341,496
Share of expenditure commitments								
Capital commitments	**-**	-	**133,112**	604	**64,387**	323,835	**197,499**	324,439
Operating commitments	**204,657**	191,045	**-**	-	**186,554**	143,657	**391,211**	334,702
	204,657	191,045	**133,112**	604	**250,941**	467,492	**588,710**	659,141
Contingent liabilities								
Share of contingent liabilities incurred jointly with other investors	**-**	-	**-**	-	**-**	-	**-**	-
	-	-	**-**	-	**-**	-	**-**	-

9 Equity accounted investments (continued)

Westlink M7

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

WSO Co Pty Limited is the operator of the Motorway.

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

WSO Finance Pty Limited is the financier of the Motorway.

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

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

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

M5 Motorway

Transurban holds a 50 per cent ownership interest in the M5 Motorway in Sydney. Tolls are collected on the M5 in both directions, with four toll collection points. The concession for the M5 Motorway extends to December 2026 when all concession assets will be returned to the NSW State Government.

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

9 Equity accounted investments (continued)

Transurban DRIVe

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

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

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

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

10 Non-current assets - Held to maturity investments

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

(a) Term loan notes

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

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

(b) M5 debt notes

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

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

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

11 Derivative financial instruments

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

Instruments used by the Group

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

The instruments used by the Group are as follows:

11 Derivative financial instruments (continued)

Instruments used by the Group (continued)

Interest rate swap contracts - cash flow hedges
The Group uses interest rate swap contracts for hedging purposes to convert variable rate borrowings to fixed. Variable rate borrowings of the Group currently bear an average interest rate of 5.0 per cent (2011: 6.2 per cent). It is policy to protect part or all of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

Interest rate swap contracts currently in place cover 99 per cent (2011: 99 per cent) of long term variable debt excluding working capital facilities. The average all-in rate after hedging on the hedged portion of the Group's variable rate borrowings is 7.1 per cent (2011: 7.0 per cent).

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

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

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

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

12 Non-current assets - Property, plant and equipment

	Equipment, fittings and operating systems $'000
At 1 July 2010	
Cost	284,285
Accumulated depreciation	(138,232)
Net book amount	146,053
Year ended 30 June 2011	
Opening net book amount	146,053
Additions	44,308
Disposals	(1,121)
Depreciation charge	(11,560)
Movement in foreign exchange rates	(132)
Closing net book amount	177,548
At 30 June 2011	
Cost	319,675
Accumulated depreciation	(142,127)
Net book amount	177,548
Year ended 30 June 2012	
Opening net book amount	177,548
Additions	36,616
Disposals	(1,085)
Depreciation charge	(21,163)
Movement in foreign exchange rates	48
Closing net book amount	191,964
At 30 June 2012	
Cost	352,392
Accumulated depreciation	(160,428)
Net book amount	191,964

13 Deferred tax assets and liabilities

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

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

14 Non-current assets - Intangible assets

	Goodwill $'000	CityLink $'000	Hills M2 Motorway $'000	M1 Eastern Distributor $'000	M4 Motorway $'000	Lane Cove Tunnel $'000	Assets under construction $'000	Total $'000
At 1 July 2010								
Cost	260,288	4,489,001	2,517,866	2,153,780	178,788	-	181,651	9,781,374
Accumulated amortisation	-	(1,302,003)	(452,836)	(171,602)	(176,314)	-	-	(2,102,755)
Net book amount	260,288	3,186,998	2,065,030	1,982,178	2,474	-	181,651	7,678,619
Year ended 30 June 2011								
Opening net book amount	260,288	3,186,998	2,065,030	1,982,178	2,474	-	181,651	7,678,619
Additions	-	51,611	-	-	-	648,068	177,858	877,537
Transfers	-	139,368	-	-	-	-	(139,368)	-
Amortisation charge	-	(139,140)	(64,340)	(52,050)	(501)	(21,844)	-	(277,875)
Closing net book amount	260,288	3,238,837	2,000,690	1,930,128	1,973	626,224	220,141	8,278,281
At 30 June 2011								
Cost	260,288	4,679,980	2,517,866	2,153,780	178,788	648,068	220,141	10,658,911
Accumulated amortisation	-	(1,441,143)	(517,176)	(223,652)	(176,815)	(21,844)	-	(2,380,630)
Net book amount	260,288	3,238,837	2,000,690	1,930,128	1,973	626,224	220,141	8,278,281
Year ended 30 June 2012								
Opening net book amount	260,288	3,238,837	2,000,690	1,930,128	1,973	626,224	220,141	8,278,281
Additions	-	-	-	-	-	-	265,535	265,535
Other adjustments (note 17)	-	(89,227)	-	-	-	-	-	(89,227)
Transfers	-	64,180	-	-	-	-	(64,180)	-
Amortisation charge	-	(139,158)	(64,427)	(52,049)	(307)	(24,533)	-	(280,474)
Closing net book amount	260,288	3,074,632	1,936,263	1,878,079	1,666	601,691	421,496	8,174,115
At 30 June 2012								
Cost	260,288	4,654,933	2,517,866	2,153,780	178,788	648,068	421,496	10,835,219
Accumulated amortisation	-	(1,580,301)	(581,603)	(275,701)	(177,122)	(46,377)	-	(2,661,104)
Net book amount	260,288	3,074,632	1,936,263	1,878,079	1,666	601,691	421,496	8,174,115

Goodwill

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

Concession assets

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

14 Non-current assets - Intangible assets (continued)

Concession assets (continued)

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

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

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

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

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

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

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

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

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

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

Assets under construction
The Group is currently undertaking upgrade works on CityLink and the Hills M2 Motorway. Construction on the M2 Upgrade commenced in January 2011. These will be transferred to the respective intangible assets upon completion. During the year completed works of $64.2 million were transferred to the CityLink concession asset.

14 Non-current assets - Intangible assets (continued)

Impairment testing of goodwill and other intangible assets

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

Key assumptions used for calculating the recoverable amount
The Group makes assumptions in calculating the recoverable amount of its cash generating units. These include assumptions around expected traffic flows and forecast operational costs. In performing the calculations the Group has applied a discount rate ranging from 8.8 to 11.0 per cent (2011: 8.8 to 11.0 per cent), representing the implied discount rate applicable to the risk profile of the Group's assets, to discount the forecast future attributable cash flows. In determining future cash flows, the Group has also applied rates of growth to underlying operating assumptions to reflect the expected performance of the assets beyond the budget period in accordance with the respective concessions. The operating costs have been escalated in line with a combination of Consumer Price Index (CPI) and Average Weekly Earnings (AWE) forecasts. A long term CPI rate of 2.5 per cent (2011: 2.5 per cent) and AWE of 4.0 per cent (2011: 4.0 per cent) have been used.

15 Current liabilities - Trade and other payables

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

16 Borrowings

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

Description of borrowings - Financing arrangements and credit facilities

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

(a) Infrastructure facilities

M1 Airport Motorway
The infrastructure facility was repaid in August 2011. The facility was certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The bonds were secured by an infrastructure facility cash reserve equal to the amount of the loan which was set off against the loan facility.

(b) Capital markets debt

These facilities comprise the following:

- $600.0 million credit wrapped floating rate bonds raised in November 2005 with terms of 10 years ($300.0 million) and 12 years ($300.0 million) with interest currently payable at 4.0 per cent at 30 June 2012. These facilities are fully hedged with all-in rates of 7.4 and 5.0 per cent respectively.

- $250.0 million non-credit wrapped fixed rate bonds raised in March 2010 with a term of four years. Interest is payable at 7.3 per cent.

- $200.0 million non-credit wrapped fixed rate bonds raised in June 2011 with a term of five years. Interest is payable at 6.8 per cent.

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

16 Borrowings (continued)

(b) Capital markets debt (continued)

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

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

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

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

(c) Working capital facilities

The Group has the following facilities in place:

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

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

(d) Term debt

The term debt facilities are comprised of:

- $520.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust). The facility has deferred borrowing costs of $4.4 million.
- $740.0 million facility entered into by Hills Motorway Management Limited (as trustee for Hills Motorway Trust). The facility has deferred borrowing costs of $6.5 million.
- $260.0 million facility entered into by LCT-MRE Nominees Pty Limited (as trustee for LCT-MRE Trust). The facility has deferred borrowing costs of $0.9 million.

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

16 Borrowings (continued)

(d) Term debt (continued)

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

The Lane Cove Tunnel facility was established in August 2010 to partially finance the acquisition of the Lane Cove Tunnel and is fully secured against the respective rights of LCT-MRE Pty Limited and LCT-MRE Trust and their assets. This facility is a non-recourse syndicated facility with a term of three years. The current floating rate applicable to the facility is 3.6 per cent (2011: 4.9 per cent). The facility is currently fully hedged to an all-in rate after hedging of 7.0 per cent.

(e) U.S. private placement

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

	Rate	USD $'000	AUD $'000	Maturity
Fixed Interest Rate				
Dec 04 - Tranche A	5.02%	100,000	98,126	Dec 2014
Dec 04 - Tranche B	5.17%	38,900	38,171	Dec 2016
Dec 04 - Tranche C	5.47%	108,600	106,564	Dec 2019
Aug 05 - Tranche A	5.04%	98,000	96,163	Aug 2015
Aug 05 - Tranche B	5.19%	125,500	123,148	Aug 2017
Aug 05 - Tranche C	5.35%	156,500	153,567	Aug 2020
Nov 06 - Tranche A	5.71%	56,980	55,912	Nov 2016
Nov 06 - Tranche B	5.86%	181,534	178,132	Nov 2018
Nov 06 - Tranche C	5.95%	162,220	159,179	Nov 2021
Nov 06 - Tranche D	6.06%	67,392	66,129	Nov 2026
		1,095,626	1,075,091	
Floating Interest Rate				
Dec 04 - Tranche D	4.1%		72,000	Dec 2019
			72,000	
Total US Private Placement			1,147,091	
Deferred borrowing costs			(4,128)	
Total			1,142,963	

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

16 Borrowings (continued)

(e) U.S. private placement (continued)

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

As at 30 June 2012, the Group has deferred $45.4 million in gains (2011: $53.2 million).

(f) Syndicated facility

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

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

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

These facilities have deferred borrowing costs of $1.2 million and are secured by a first ranking charge over the cash flows of the Group.

Letters of credit and corporate credit facilities

The Group has a $50 million letter of credit facility which is for a term of 3 years, maturing December 2013. As at 30 June 2012, letters of credit to the value of $42.1 million have been issued which are currently undrawn and therefore no liability has been recorded.

A $6.6 million general credit facility is in place covering corporate requirements including letters of credit, credit card facilities, online banking and an overdraft facility. As at 30 June 2012, $5.3 million of bank guarantees have been issued which are currently undrawn and therefore no liabilities have been recorded. The 365 day facility matures June 2013.

Set-off of assets and liabilities

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

Covenants

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

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

16 Borrowings (continued)

Covenants (continued)

In addition, the Group has a market capitalisation based clause where gearing must not exceed 60 per cent. Based on the balance sheet as at 30 June 2012, the Group's security price would need to close below $2.15 per Security for 20 consecutive business days to trigger this clause.

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

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

17 Provisions

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

17 Provisions (continued)

Movements in provisions

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

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

(a) Employee benefits

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

(b) Onerous lease provision

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

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

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

(d) Maintenance provision

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

(e) Provision for contingent consideration

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

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

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

18 Other liabilities

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

(a) Prepaid tolls

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

(b) Unearned income

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

(c) Concession and promissory notes

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

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

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

18 Other liabilities (continued)

(c) Concession and promissory notes (continued)

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

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

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

19 Contributed equity

Share capital

	30 June 2012 $'000	30 June 2011 $'000
Fully paid stapled securities	**7,847,912**	7,772,117
	7,847,912	7,772,117

	30 June 2012 Number '000	30 June 2011 Number '000
Fully paid stapled securities	**1,458,321**	1,443,193
	1,458,321	1,443,193

Stapled securities

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

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

Capital risk management

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

19 Contributed equity (continued)

Capital risk management (continued)

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

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

Movements in ordinary share capital:

	Notes	Number of units $'000	Consolidated $'000
Opening balance at 1 July 2010		1,414,295	7,656,383
Distribution reinvestment plan	19(a)	28,876	124,550
Purchase, disposal and vesting of treasury securities	19(b)	22	103
Transfer vesting portion of LTI from share-based payment reserve	19(b)	-	440
Purchase of Performance Rights Plan units	19(b)	-	(675)
Less: Amounts attributable to Transurban International Limited	19(c)	-	(8,684)
Closing balance at 30 June 2011		1,443,193	7,772,117
Opening balance at 1 July 2011		1,443,193	7,772,117
Distribution reinvestment plan	19(a)	14,162	76,001
Disposal and vesting of treasury securities	19(b)	351	1,640
Transfer vesting portion of LTI from share-based payment reserve	19(b)	615	4,051
Purchase of Performance Awards Plan units	19(b)	-	(2,496)
Less: Amounts attributable to Transurban International Limited	19(c)	-	(3,401)
Closing balance at 30 June 2012		1,458,321	7,847,912

(a) Distribution reinvestment plan

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

(b) Treasury securities

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

19 Contributed equity (continued)

(c) Non-controlling interest - Transurban International Limited

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

20 Reserves and accumulated losses

Reserves

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

	30 June 2012 $'000	30 June 2011 $'000
Movements:		
Cash flow hedges		
Balance 1 July	**34,560**	63,602
Revaluation - gross	**(219,648)**	(45,578)
Deferred tax (note 13)	**43,823**	12,560
Transfer to net profit	**5,048**	4,375
Amount attributable to non-controlling interest	**7,098**	(399)
Movement in associate's reserve	**(39,996)**	11,427
Movement in associate's reserve attributable to non-controlling interest	**39,996**	(11,427)
Balance 30 June	**(129,119)**	34,560
Share-based payments		
Balance 1 July	**10,188**	6,128
Employee share plan expense	**3,131**	4,581
Transfer vesting portion of LTI to contributed equity	**(4,966)**	(440)
Transfer non-vesting portion of LTI to retained earnings	**(153)**	(81)
Balance 30 June	**8,200**	10,188
Foreign currency translation		
Balance 1 July	**(13,160)**	(12,009)
Deferred tax (note 13)	**(192)**	432
Currency translation differences arising during the year	**13,172**	(8,045)
Currency translation differences arising during the year attributable to non-controlling interest	**(12,114)**	6,462
Balance 30 June	**(12,294)**	(13,160)

20 Reserves and accumulated losses (continued)

Reserves (continued)

	30 June 2012 $'000	30 June 2011 $'000
Transactions with non-controlling interests		
Balance 1 July	**(5,127)**	(5,127)
Balance 30 June	**(5,127)**	(5,127)

Accumulated losses

Movements in (accumulated losses) were as follows:

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

Nature and purpose of reserves

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

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

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

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

21 Distributions

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

21 Distributions (continued)

Distribution policy and free cash calculation

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

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

21 Distributions (continued)

Franking credits

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

22 Remuneration of auditors

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

Amounts received or due and receivable by PricewaterhouseCoopers

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

23 Contingencies

Contingent liabilities

The Group and parent entity had contingent liabilities at 30 June 2012 in respect of:

Equity guarantee

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

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

The Transurban Group owns 75 per cent of the equity of DRIVe and recognises this investment in the consolidated financial statements using the equity method of accounting. DRIVe holds 90 per cent of the equity in Capital Beltway Express and, from time to time, is required to make equity contributions to Capital Beltway Express to fund the equity component of the Capital Beltway project costs. The total equity contribution DRIVe is obliged to make to Capital Beltway Express is US$313,825,757, of which US$182,857,326 has been paid at balance sheet date.

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

Contingent assets

DRIVe capital sum

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

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

24 Intra-group Guarantees

As at 30 June 2012, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security.

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

25 Commitments

Capital commitments

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

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

Lease commitments

	30 June 2012 $'000	30 June 2011 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**4,059**	3,973
Later than one year but not later than five years	**12,812**	15,247
Later than five years	**496**	1,874
	17,367	21,094

Sub-lease payments

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**428**	812
	428	812

25 Commitments (continued)

Lease commitments (continued)

Promissory Notes

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

Concession Notes

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

Other operating leases

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

26 Related party transactions

Transactions with associates

The following transactions occurred with related parties:

	30 June 2012 $	30 June 2011 $
Revenue from services		
Operating electronic tolling system for Westlink M7	**8,451,418**	11,768,736
Business development fees	**19,550,291**	16,254,993
	28,001,709	28,023,729
Interest earned		
Term Loan Notes	**91,328,563**	84,565,108
M5 debt notes	**11,952**	-
	91,340,515	84,565,108

26 Related party transactions (continued)

Loans to/from associates

	30 June 2012 $	30 June 2011 $
Term loan notes		
Beginning of the year	**724,225,296**	678,044,167
Net interest capitalised	**58,441,751**	46,181,129
End of the year	**782,667,047**	724,225,296
M5 debt notes		
Beginning of the year	**-**	-
Amount paid	**8,724,600**	-
End of the year	**8,724,600**	-

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

Transactions with Director related parties

Refer to note 36 for Director related party transactions.

Term loan notes

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

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

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

M5 debt notes

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

27 Subsidiaries

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

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding** **2012 %**	2011 %
CityLink Trust	Australia	Ordinary	**100**	100
CityLink Melbourne Limited	Australia	Ordinary	**100**	100
City Link Extension Pty Limited	Australia	Ordinary	**100**	100
Transurban Infrastructure Management Limited	Australia	Ordinary	**100**	100
Transurban Limited	Australia	Ordinary	**100**	100
Transurban Collateral Security Pty Limited	Australia	Ordinary	**100**	100
Transurban Finance Trust	Australia	Ordinary	**100**	100
Transurban Finance Company Pty Limited	Australia	Ordinary	**100**	100
Transurban Nominees Pty Limited	Australia	Ordinary	**100**	100
Transurban Nominees 2 Pty Limited	Australia	Ordinary	**100**	100
Transurban WSO Pty Limited	Australia	Ordinary	**100**	100
Transurban AL Trust	Australia	Ordinary	**100**	100
Transurban CARS Trust	Australia	Ordinary	**100**	100
Transurban WSO Trust	Australia	Ordinary	**100**	100
Roam Tolling Pty Limited	Australia	Ordinary	**100**	100
Transurban Retail Pty Limited	Australia	Ordinary	**100**	100
Transurban (USA) Holdings No.1 Pty Limited	Australia	Ordinary	**100**	100
Transurban (USA) Holdings No.2 Pty Limited	Australia	Ordinary	**100**	100
Transurban (USA) Holdings No.3 Pty Limited	Australia	Ordinary	**100**	100
Transurban Asset Management Pty Limited	Australia	Ordinary	**100**	100
Transurban Operations Pty Limited	Australia	Ordinary	**100**	100
Transurban Investments Pty Limited	Australia	Ordinary	**100**	100
The Hills Motorway Limited	Australia	Ordinary	**100**	100
Hills Motorway Management Limited	Australia	Ordinary	**100**	100
Hills Motorway Construction Company Pty Limited	Australia	Ordinary	**100**	100
Hills Motorway Underwriting No.1 Pty Limited	Australia	Ordinary	**100**	100
Hills Motorway Trust	Australia	Ordinary	**100**	100
LMI WSO Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
Abigroup WSO Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
Abigroup Westlink Partner Holding No.4 Pty Limited	Australia	Ordinary	**100**	100
Abigroup Westlink Partner No.4 Pty Limited	Australia	Ordinary	**100**	100
Abigroup WSO Holding No.4 Pty Limited	Australia	Ordinary	**100**	100
Abigroup Westlink Partner Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
Abigroup Westlink Partner No.2 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner Holding No.4 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner No.4 Pty Limited	Australia	Ordinary	**100**	100
LMI WSO Holding No.4 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner No.2 Pty Limited	Australia	Ordinary	**100**	100
Tollaust Pty Limited	Australia	Ordinary	**100**	100
Transurban (USA) Inc.	USA	Ordinary	**100**	100
Transurban (USA) Holdings Inc.	USA	Ordinary	**100**	100
Transurban (USA) Operations Inc.	USA	Ordinary	**100**	100
Transurban (895) General Partnership	USA	Ordinary	**100**	100
T (895) Finance Trust	Australia	Ordinary	**100**	100
Transurban International Holdings Limited	Australia *	Ordinary	**100**	100

27 Subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding 2012 %	2011 %
Transurban DRIVe Management LLC	USA	Ordinary	**100**	100
Sydney Roads Limited	Australia	Ordinary	**100**	100
Sydney Roads Trust	Australia	Ordinary	**100**	100
Sydney Roads Management Limited	Australia	Ordinary	**100**	100
Airport Motorway Trust	Australia	Ordinary	**75.1**	75.1
Airport Motorway Holdings Pty Limited	Australia	Ordinary	**75.1**	75.1
Airport Motorway Limited	Australia	Ordinary	**75.1**	75.1
Airport Motorway Construction Company Pty Limited	Australia	Ordinary	**75.1**	75.1
AMT Management Limited	Australia	Ordinary	**100**	100
M5 Holdings Funding Trust	Australia	Ordinary	**100**	100
M5 Holdings Pty Limited	Australia	Ordinary	**100**	100
M4 Holdings No.1 Pty Limited	Australia	Ordinary	**100**	100
Devome Pty Limited	Australia	Ordinary	**75**	75
Statewide Roads Limited	Australia	Ordinary	**50.61**	50.61
SWR Services Pty Limited	Australia	Ordinary	**50.61**	50.61
SWR Engineers Pty Limited	Australia	Ordinary	**50.61**	50.61
Statewide Roads (M4) Pty Limited	Australia	Ordinary	**50.61**	50.61
SWR Operations Pty Limited	Australia	Ordinary	**50.61**	50.61
SWR Properties Pty Limited	Australia	Ordinary	**50.61**	50.61
Statewide Roads (M2) Pty Limited	Australia	Ordinary	**50.61**	50.61
SWR Constructors Pty Limited	Australia	Ordinary	**50.61**	50.61
LCT-MRE Pty Limited	Australia	Ordinary	**100**	100
LCT-MRE Nominees Pty Limited	Australia	Ordinary	**100**	100
LCT-MRE Trust	Australia	Ordinary	**100**	100
LCT-MRE Holdings Trust	Australia	Ordinary	**100**	100
LCT-MRE Holdings Pty Limited	Australia	Ordinary	**100**	100
LCT-MRE No.1 Pty Limited	Australia	Ordinary	**100**	100

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

28 Parent entity financial information

Summary financial information

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

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

Guarantees entered into by the parent entity

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

Contingent liabilities of the parent entity

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

29 Deed of cross guarantee

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

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

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

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

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

29 Deed of cross guarantee (continued)

Consolidated balance sheet

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

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

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

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

30 Events occurring after the reporting period

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

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

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

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

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

32 Non-cash investing and financing activities

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

33 Earnings per stapled security

Basic earnings per share

	30 June 2012 Cents	30 June 2011 Cents
Earnings per security attributable to the ordinary equity holders of the stapled group	**3.8**	7.8
	3.8	7.8

Diluted earnings per share

	30 June 2012 Cents	30 June 2011 Cents
Earnings per security attributable to the ordinary equity holders of the stapled group	**3.8**	7.8
	3.8	7.8

Reconciliation of earnings used in calculating earnings per security

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

Weighted average number of securities used as denominator

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

33 Earnings per stapled security (continued)

Weighted average number of securities used as denominator (continued)

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

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

34 Net tangible asset backing

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

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

35 Share-based payments

Performance Awards Plan

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

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

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

35 Share-based payments (continued)

Performance Awards Plan (continued)

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

Grant date	Vesting / Expiry date	Fair value at grant date ($) TSR	EBITDA	FCF	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2011									
1 Nov 2008	1 Nov 2011	3.30	4.27	N/A	1,277,630	-	-	(17,517)	1,260,113
11 Dec 2009	11 Dec 2012	3.33	4.97	N/A	1,990,913	-	-	(214,330)	1,776,583
1 Nov 2010	1 Nov 2013	3.23	4.62	N/A	-	1,658,614	-	(257,039)	1,401,575
23 Dec 2010	1 Nov 2013	3.33	4.97	N/A	-	684,683	-	-	684,683
Total					3,268,543	2,343,297	-	(488,886)	5,122,954
Weighted average exercise price					$4.01	$3.99	$-	$4.02	$4.00

Executive Equity Plan

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

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

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

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

Grant date	Vesting / Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2012							
1 Nov 2008	1 Nov 2011	$4.27	433,722	-	(433,722)	-	-
Total			433,722	-	(433,722)	-	-
Weighted average exercise price			$4.27	$-	$4.27	$-	$-

35 Share-based payments (continued)

Executive Equity Plan (continued)

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

Performance Rights Plan

The Performance Rights Plan (PRP) enabled eligible executives to receive a grant of Performance Rights that entitled participants to receive stapled securities in the Transurban Group (Securities) at no cost at the end of a three year performance period, subject to the achievement of performance conditions. No dividends or distributions on Securities were payable to participants prior to vesting. The Plan has two performance measures, EBITDA and relative TSR against the S&P/ASX 100 Industrials, each applied to 50 per cent of the PRP award. For US participants of the plan, they will be awarded a cash amount instead of stapled securities at the end of the three year performance period, subject to performance conditions. There is only one testing date at the end of the performance hurdles at the vesting date.

Awards were last made under the PRP in November 2007. This award matured on 1 November 2010. 84.44% of awards subject to the TSR performance condition vested based on Transurban's ranking against the constituents of the S&P/ASX 100. None of the awards subject to the statutory EBITDA growth or DRIVe management fee growth conditions vested as the prescribed performance conditions were not met.

Australian based plan

Grant date	Vesting / Expiry date	Fair value at grant date ($) TSR	Fair value at grant date ($) EBITDA	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Lapsed during the year Number	Balance at end of the year Number
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	331,594	-	(143,060)	(188,534)	-
Total				331,594	-	(143,060)	(188,534)	-
Weighted average exercise price				$4.73	$-	$4.73	$4.73	$-

Overseas based plan

Grant date	Vesting / Expiry date	Fair value at grant date ($) TSR	Fair value at grant date ($) DRIVe mgt fee	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Lapsed during the year Number	Balance at end of the year Number
2011								
1 Nov 2007	1 Nov 2010	3.50	5.96	247,561	-	(107,007)	(140,554)	-
Total				247,561	-	(107,007)	(140,554)	-
Weighted average exercise price				$4.26	$-	$4.26	$4.26	$-

35 Share-based payments (continued)

Assessed fair value

The assessed fair value at grant date of the plans above has been independently determined in accordance with AASB 2.

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

The Free Cash component of performance awards has been valued using the Black-Scholes framework. The model valuation takes into account the term of the award, the security price at grant date, the expected dividend yield and the risk free interest rate for the term of the award.

Employee security scheme

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

All Australian based permanent employees are eligible to participate in either the Investment Tax Exempt Plan or the Investment Tax Deferred Plan. Under the plans, Transurban provides participants with a matching component toward the acquisition of the stapled securities. For the period 1 July 2011 to 30 June 2012, the cost of company matches was $114,459 (2011: $89,885) for the Investment Tax Exempt Plan and $391,708 (2011: $304,375) for the Investment Tax Deferred Plan.

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

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

Expenses arising from share-based payments

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was $3.1 million (2011: $4.6 million).

36 Key management personnel disclosures

Directors

The following persons were Directors of THL, TIML and/or TIL, as noted below, during the financial year and/or up until the date of this report:

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

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

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

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

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

Key management personnel compensation

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

36 Key management personnel disclosures (continued)

Key management personnel compensation (continued)

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

Detailed remuneration disclosures are made in the Directors' report. The relevant information can be found in the remuneration report in the Directors' report.

Equity instrument disclosures relating to key management personnel

Share-based payments
Details of long-term incentives provided as remuneration and securities issued, together with terms and conditions of the long term incentives, can be found in the remuneration report in the Directors' report.

Performance Awards Plan

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

2011	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the Group						
C Lynch	1,100,932	684,683	-	-	1,785,615	-
Other key management personnel of the Group						
B Bourke	194,515	13,233	(39,204)	(168,544)	-	-
K Daley	178,427	123,441	(33,173)	(45,398)	223,297	-
M Fletcher	82,362	5,761	(4,704)	(83,419)	-	-
A Head	105,859	90,523	(6,273)	(8,584)	181,525	-
S Hogg	70,734	65,835	-	-	136,569	-
T Honan	380,926	164,587	-	-	545,513	-
M Kulper	307,378	170,433	(32,416)	(44,362)	401,033	-
E Mildwater	95,836	90,523	-	-	186,359	-

36 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

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

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

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

36 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Stapled security holdings (continued)

2011	**Balance at start of the year**	**Other changes during the year**	**Balance at end of the year**
Directors of the Group			
L Maxsted	12,000	18,000	30,000
D Ryan	66,486	(66,486)	-
N Chatfield	20,910	-	20,910
G Cosgriff	144,423	7,813	152,236
J Davis	158,188		158,188
R Edgar	11,836	6,791	18,627
S Mostyn	-	-	-
R Officer	19,089	-	19,089
R Slater	-	-	-
J Eve	-	-	-
J Keyes	-	-	-
C Lynch	254,966	435	255,401
Other key management personnel of the Group			
B Bourke	460,251	(460,251)	-
K Daley	384,678	-	384,678
M Fletcher	34,491	(34,491)	-
A Head	23,842	(2,730)	21,112
S Hogg	15,516	100	15,616
T Honan	93,574	1,246	94,820
M Kulper	103,944	-	103,944
E Mildwater	25,196	1,902	27,098

Executive Equity Plan (EEP)

2012	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the Group						
C Lynch	79,647	-	(79,647)	-	-	-
Other key management personnel of the Group						
K Daley	19,146	-	(19,146)	-	-	-
A Head	19,146	-	(19,146)	-	-	-
S Hogg	15,316	-	(15,316)	-	-	-
T Honan	85,474	-	(85,474)	-	-	-
M Kulper	23,944	-	(23,944)	-	-	-
E Mildwater	19,146	-	(19,146)	-	-	-

36 Key management personnel disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

Executive Equity Plan (EEP) (continued)

2011	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the Group						
C Lynch	79,647	-	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	19,146	-	(19,146)	-	-	-
K Daley	19,146	-	-	-	19,146	-
M Fletcher	19,146	-	(19,146)	-	-	-
A Head	19,146	-	-	-	19,146	-
S Hogg	15,316	-	-	-	15,316	-
T Honan	85,474	-	-	-	85,474	-
M Kulper	23,944	-	-	-	23,944	-
E Mildwater	19,146	-	-	-	19,146	-

Performance Rights Plan

2011	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Other key management personnel of the Group						
B Bourke	92,857	-	(39,204)	(53,653)	-	-
K Daley	78,571	-	(33,173)	(45,398)	-	-
M Fletcher	11,142	-	(4,704)	(6,438)	-	-
A Head	14,857	-	(6,273)	(8,584)	-	-
M Kulper	76,778	-	(32,416)	(44,362)	-	-

Other transactions with Directors and key management personnel

Mr Rodney Slater is a Partner in the public policy practice group of Patton Boggs. Transurban used Patton Boggs during the year for various lobbying activities in the US. This relationship is based on normal commercial terms.

Mr Lindsay Maxsted is a Non-executive Director of Westpac Banking Corporation. Westpac provides transactional banking and loan facilities to Transurban. This relationship is based on normal commercial terms.

Mr Neil Chatfield is a Non-executive Director of Seek Limited who provides employment advising services to Transurban. This relationship is based on normal commercial terms.

Mr Chatfield is also Chairman of, and Ms Sam Mostyn is a Non-executive Director of, Virgin Australia Holdings Limited. Transurban uses air travel services provided by Virgin Australia. This relationship is based on normal commercial terms.

37 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

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

The Group depreciates the assets associated with the various toll road infrastructure over the life of the respective concession arrangements.

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

37 Critical accounting estimates and judgements (continued)

Valuation of Promissory Notes and Concession Notes
The Group holds non-interest bearing long term debt, represented by promissory notes and concession notes, that are included in the financial statements at the present value of expected future payments. The calculations to discount these notes to their present value are based on the estimated timing and profile of the repayments. Assumptions are made in determining the timing and profile, based on expected available equity cash flows of the Group's cash generating units.

A discount rate is used to value the promissory notes and concession notes to their present value, which is determined through reference to other facilities in the market with similar characteristics.

Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

Provision for future major maintenance expenditure
The Group records a provision for its present obligation to maintain the Motorways held under Concession Deeds. The provision is included in the financial statements at the present value of expected future payments. The calculations to discount these amounts to their present value are based on the estimated timing and profile of expenditure occurring on the roads.

A discount rate is used to value the maintenance expenditure provision at its present value, which is determined through reference to the nature of the provision and the risks associated with the expenditure.

38 Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally by the Transurban Group Treasury team (Treasury) under policies approved by the Board. Treasury work closely with the Group’s operating units to actively identify and monitor all financial risks, and put hedging in place where appropriate. The Board are informed on a regular basis of any material exposures to financial risks.

The Group’s hedging strategies are detailed below, and include the use of derivative financial instruments. The Group's policies allow derivative transactions to be undertaken only for the purpose of reducing risk, and do not permit speculative trading. Treasury continuously monitor risk exposures over time through review of cash flows, price movements, market analysis and ongoing communication within the Group. When measuring financial risk, Treasury consider positive and negative exposures, existing hedges and the ability to offset exposures where possible.

Market risk

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency.

Foreign currency exposures are viewed as either investment exposures or operating exposures. Exposures from investment in foreign assets are generally managed using foreign currency debt. All known material operating exposures out to 12 months are hedged, using hedging instruments, offsetting exposures or drawing on foreign currency funds.

38 Financial risk management (continued)

Market risk (continued)

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

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

Exposure to other foreign exchange movements is not material.

Sensitivity
Based on the financial instruments held at end of the period, had the Australian dollar strengthened/weakened by 10 cents against the U.S. dollar with all other variables held constant, the Group’s post-tax profit for the year would have been $199,000 lower (2011: $108,000 lower) or $243,000 higher (2011: $131,000 higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

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

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

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

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

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

Price risk
The Group is not exposed to price risk.

38 Financial risk management (continued)

Market risk (continued)

Cash flow interest rate risk
The Group's main exposure to interest rate risk arises from long-term borrowings. Treasury manages interest rate risk by entering into fixed rate debt facilities or using interest rate swaps to convert floating rate debt. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100 per cent. Covenant requirements vary by debt facility, and require a minimum of between 50 per cent and 80 per cent of interest rate exposure to be hedged. At 30 June 2012, 97 per cent (2011: 98 per cent) of the Group's interest rate exposure on variable rate borrowings was hedged.

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

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

An analysis by maturities is provided in Liquidity risk below.

Sensitivity
At 30 June 2012, if interest rates had changed by +/-100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $2,423,000 higher/lower (2011: $3,507,000 higher/lower). Profit is less sensitive to movements in interest rates in 2012 than 2011, due mainly to a decrease in cash holdings.

Credit risk

The Group has no significant concentrations of credit risk from operating activities, and has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history. However as an operator of large infrastructure assets, the Group is exposed to credit risk with its financial counterparties through undertaking financial transactions intrinsic to its business. These include funds held on deposit, cash investments and the market value of derivative transactions.

Treasury assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. Board approved limit allocation rules ensure higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy counterparties, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

The Group's investment in the Westlink Motorway is through Term Loan Notes (see note 10 for details). The return on these Notes is ultimately dependent on the performance of the Motorway. The Group continually monitors the performance and expected cash flows of the Motorway.

38 Financial risk management (continued)

Liquidity risk

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

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

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

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

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

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

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

38 Financial risk management (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities **At 30 June 2012**	**1 year or less $'000**	**Over 1 to 2 years $'000**	**Over 2 to 3 years $'000**	**Over 3 to 4 years $'000**	**Over 4 to 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives								
Non-interest bearing	**309,898**	**-**	**-**	**-**	**-**	**364,402**	**674,300**	**361,587**
Variable rate	**123,679**	**431,043**	**1,088,528**	**359,111**	**449,192**	**750,145**	**3,201,698**	**2,756,393**
Fixed rate	**100,689**	**352,609**	**219,581**	**409,350**	**195,455**	**1,491,626**	**2,769,310**	**1,733,004**
Total non-derivatives	**534,266**	**783,652**	**1,308,109**	**768,461**	**644,647**	**2,606,173**	**6,645,308**	**4,850,984**
Derivatives								
Net settled (interest rate swaps)	**82,976**	**80,993**	**60,146**	**39,382**	**28,586**	**20,800**	**312,883**	**280,552**
Net settled (cross-currency interest rate swaps/fx forwards)	**19,742**	**16,817**	**47,602**	**39,932**	**41,806**	**94,703**	**260,602**	**224,642**
Total derivatives	**102,718**	**97,810**	**107,748**	**79,314**	**70,392**	**115,503**	**573,485**	**505,194**

At 30 June 2011	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives								
Non-interest bearing	414,832	-	-	-	-	338,957	753,789	464,921
Variable rate	232,994	736,382	431,833	877,284	367,368	733,374	3,379,235	2,680,609
Fixed rate	216,453	93,118	340,347	212,108	397,707	1,372,316	2,632,049	1,558,077
Total non-derivatives	864,279	829,500	772,180	1,089,392	765,075	2,444,647	6,765,073	4,703,607
Derivatives								
Net settled (interest rate swaps)	31,272	24,702	12,313	4,652	(2,500)	(8,675)	61,764	53,732
Net settled (cross-currency interest rate swaps/fx forwards)	19,935	27,172	28,275	57,068	44,475	198,418	375,343	282,107
Total derivatives	51,207	51,874	40,588	61,720	41,975	189,743	437,107	335,839

Fair value measurements

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

38 Financial risk management (continued)

Fair value measurements (continued)

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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

30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	-	56,303	-	56,303
Total assets	-	56,303	-	56,303
Liabilities				
Derivatives used for hedging	-	392,142	-	392,142
Total liabilities	-	392,142	-	392,142

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

In the Directors' opinion:

(a) the financial statements and notes set out on pages 41 to 126 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
7 August 2012

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

Report on the financial report

We have audited the accompanying financial report of Transurban Holdings Limited (the Company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban Holdings Limited Group (the Group). The Group comprises the aggregation of Transurban Holdings Limited (THL), Transurban Holding Trust (THT) and Transurban International Limited (TIL) and the entities they controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

pwc

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Transurban Holdings Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 37 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Transurban Holdings Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John Yeoman
Partner

Melbourne
7 August 2012