transurban

ANNUAL REPORT 2010

Annual Report

Financial Statements

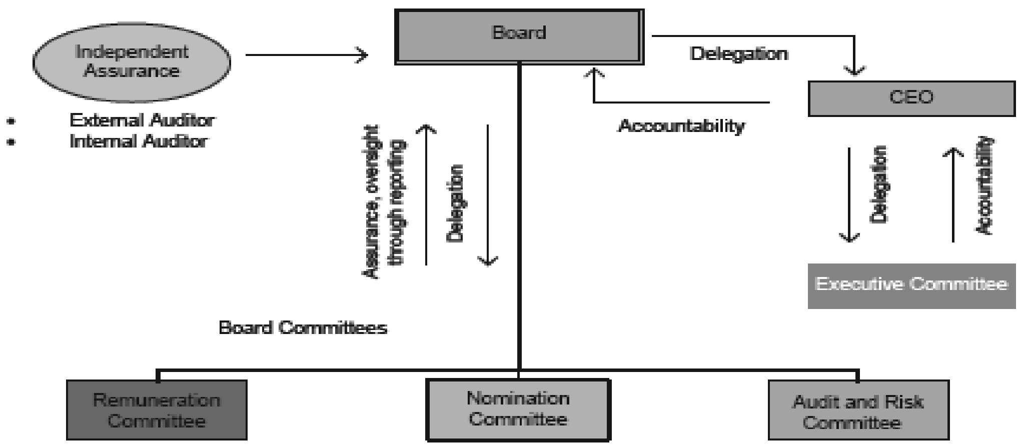
Corporate governance statement

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

Throughout the year ended 30 June 2010 (the reporting period), Transurban's governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.[1] A checklist cross-referencing the Principles and Recommendations to the relevant sections of this statement and elsewhere in the Annual Report can be found in the "Corporate Governance" section of the Transurban website.

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

Corporate governance framework



1. ROLE OF THE BOARD

Relevant governance documents:

✓ *Board Charter*

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

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

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

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

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

2. STRUCTURE AND MEMBERSHIP OF THE BOARD

Relevant governance documents:

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

Board structure

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

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

The Board of THL and the Board of TIML have common directors and meetings are held concurrently. As at the date of the Annual Report, this Board comprises 8 directors, with 7 non-executive directors, including the Chairman, and 1 executive director, the CEO. Subsequent to the reporting period, David Ryan resigned, and Lindsay Maxsted was appointed, as Chairman, continuing the Board renewal process that started in 2008. Bob Officer was also appointed as a non-executive director.

The Board of TIL meets separately. As at the date of the Annual Report, this Board currently comprises 4 directors, with 3 non-executive directors, including the Chairman, and 1 executive director, the CEO.

The skills, qualifications, experience, relevant expertise and period in office of each director during the reporting period are set out in the Directors' Report.

Director independence

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

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

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

In assessing the independent status of a non-executive director, the Board considers the 'relationships affecting independent status' set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and other facts, information and circumstances that the Board considers relevant. The test of whether a business or other relationship is material[2] is assessed from the perspective of both Transurban and the director.

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

The Board has reviewed the positions and associations of the non-executive directors, including the Chairman, and considers each of them to be independent except for Bob Officer. Professor Officer is not considered to be independent as he is a nominee of a major security holder, CP2 Limited.

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

2. STRUCTURE AND MEMBERSHIP OF THE BOARD (continued)

Tenure, retirement and re-election

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

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

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

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

Nomination and appointment of new directors and Board gender diversity

The Board has established a policy and procedure for the nomination, selection and appointment of new non-executive directors. A regular assessment of the range of qualifications, skills, experience, and diversity of gender, age, experience, relationships and background on the Board is undertaken to enable the identification of particular competencies and perspectives that will best increase the Board's effectiveness. Where a need is identified or arises, the Nomination Committee commences a search process for potential appointees, with the assistance of external consultants as necessary.

The Nomination Committee undertakes an assessment of short listed potential appointees against a range of criteria. The Chairman and other directors also meet in person with potential appointees. The Nomination Committee will then recommend the most appropriate candidate(s) for consideration by the Board as a whole.

The Board recognises that diversity is a competitive advantage bringing real value, adding to the collective skills and experience of the Board and allowing Board renewal with changing needs. The Nomination Committee is responsible for making recommendations to the Board on strategies for addressing Board gender diversity.

Induction of new directors

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

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

Knowledge, skills and experience

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

Board access to information and independent professional advice

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

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

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

2. STRUCTURE AND MEMBERSHIP OF THE BOARD (continued)

Conflicts of interest

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

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

3. OPERATION OF THE BOARD

Relevant governance documents:
✓ *Board Charter*
✓ *Audit and Risk Committee Charter*
✓ *Nomination Committee Charter*
✓ *Remuneration Committee Charter*

Board committees

As at the date of the Annual Report, the Board has three standing committees of directors: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee.

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

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

The Board periodically reviews the appropriateness of the existing committee structure, as well as the membership and the charter of each committee. A review was undertaken during the reporting period, which resulted in amendments to both the Nomination Committee Charter and the Remuneration Committee Charter. Subsequent to the reporting period, the Board determined to disband the Sustainability Committee on the basis that sustainability is now embedded in Transurban's business and business practices and is to be overseen by the Board.

	Audit and Risk Committee	Nomination Committee	Remuneration Committee*	Sustainability Committee[1]
Members as at the date of the Annual Report**	• Neil Chatfield (Chair); • Jeremy Davis; • Lindsay Maxsted; and • Bob Edgar. Each member is financially literate and has relevant qualifications/experience.	• Lindsay Maxsted (Chair); • Neil Chatfield; • Jeremy Davis; • Bob Edgar; • Rodney Slater; and • Geoff Cosgriff.	• Geoff Cosgriff (Chair); • Lindsay Maxsted; and • Jeremy Davis.	• David Ryan (Chair); • Lindsay Maxsted; • Bob Edgar; and • Rodney Slater.
Composition	Only non-executive directors, all of whom are independent. ✓ At least 3 members. ✓ An independent Chair who is not also Chair of the Board. ✓	Only non-executive directors, all of whom are independent. ✓ At least 3 members. ✓ An independent Chair. ✓	Only non-executive directors, all of whom are independent. ✓ At least 3 members. ✓ An independent Chair. ✓	Only non-executive directors, all of whom are independent. ✓ At least 3 members. ✓ An independent Chair. ✓
Areas of focus/ responsibility	• Integrity of financial reporting; • Effectiveness of systems of financial risk management and internal control; • Internal and external audit functions; • Effectiveness of the risk management framework and supporting risk management systems.	• Size and composition of the Board and new Board appointments; • Board gender diversity and diversity in general; • Board, committee and director performance; • Board and senior executive succession planning.	• Remuneration of directors; • Performance and remuneration of, and incentives for, the CEO and other senior executives; • Remuneration strategies, practices and disclosures generally.	• Development of Transurban's strategic vision for sustainability; • Setting target measures against which progress towards strategic objectives is assessed; • Monitoring progress and identifying critical sustainability issues for decision.

[1] The Sustainability Committee is no longer a separate committee of the Board.
* The composition of the Remuneration Committee complies with the CGC's recent amendments to the Principles and Recommendations and the ASX's new Listing Rule relating to remuneration committees.
** David Ryan resigned as Chairman on 12 August 2010. Mr Ryan was Chair of the Nomination and Sustainability Committees and a member of the Audit and Risk and Remuneration Committees until his resignation.

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

3. OPERATION OF THE BOARD (continued)

Performance of the Board

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

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

As noted in section 4 below, a diversity policy is in development that will include measurable objectives in relation to gender diversity. Diversity objectives at all levels will be a measure against which performance of the Board is reviewed going forward. The Board recognises that increasing Board accountability for diversity objectives is an important element in delivering improvements in diversity on the Board and at all levels of the organisation.

During the reporting period, the Audit and Risk Committee also undertook a self-assessment by reference to the objectives and responsibilities set out in its charter. The results of the self-assessment were considered by the Audit and Risk Committee and actions were agreed in response to specific matters raised by committee members.

Performance of senior executives

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

Performance reviews for the CEO and other senior executives for the year ended 30 June 2009 were conducted during the reporting period. Detailed information regarding these reviews, and the reward structure and remuneration outcomes for senior executives during the reporting period, can be found in the Remuneration Report within the Directors' Report. Performance reviews for the year ended 30 June 2010 were conducted in July 2010.

Remuneration of directors and senior executives

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

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

The remuneration of the CEO and other senior executives comprises fixed remuneration, short term cash incentives and long term equity based incentives. Transurban's remuneration strategy and framework, and the remuneration package and outcomes for the CEO and other senior executives, is described in detail in the Remuneration Report within the Directors' Report.

4. ETHICAL CONDUCT AND RESPONSIBLE DECISION-MAKING

Relevant governance documents:
- ✓ *How We Work @ TU*
- ✓ *Whistleblower Policy*
- ✓ *Fraud Policy*
- ✓ *Dealing in Securities Policy*
- ✓ *Sustainability Report*

Conduct and ethics

Transurban revised its code of conduct during the reporting period. The new code of conduct, called “How We Work @ TU”, sets the standards for how all of Transurban’s employees, consultants and contractors should act to ensure that Transurban’s organisational values (honesty, integrity, humility and accountability) are upheld.

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

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

Whistleblower protection

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

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

Dealing in securities

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

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

The policy also prohibits dealing in securities on a short-term basis, except in circumstances of financial hardship. Employees who have rights to securities under a long term incentive plan may not hedge against those rights until they have vested. Directors and employees are also prohibited from entering into margin lending arrangements using Transurban securities as security.

Diversity

Transurban is currently developing a diversity policy appropriate for Transurban’s circumstances. For the purposes of this policy, diversity will include gender, age, ethnicity and cultural background. The policy will require the Board to establish measurable objectives in relation to gender diversity, and the Board will report on progress towards the achievement of those objectives in the 2011 Annual Report.

Sustainability

The Board is committed to ensuring that all Transurban operations work to sustainable business practices. Further information on Transurban’s approach to sustainability will be set out in Transurban’s Sustainability Report which will be published in October 2010.

5. INTEGRITY IN FINANCIAL REPORTING

Relevant governance documents:

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

Role of the Audit and Risk Committee

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

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

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

Independence of the external auditor

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

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

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

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

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

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

Attendance of the external auditor at annual general meeting

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

6. CONTINUOUS DISCLOSURE

Relevant governance documents:
- ✓ *Continuous Disclosure Policy and Procedure*

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

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

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

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

7. COMMUNICATIONS WITH SECURITY HOLDERS

Relevant governance documents:
- ✓ *Security Holder Communications Policy*

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

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

Annual general meeting

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

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

8. RISK MANAGEMENT

Relevant governance documents:
- ✓ *Audit and Risk Committee Charter*
- ✓ *Risk Management Policy*

Risk oversight and management

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

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

Transurban has a Risk Management Policy that sets out its commitment to risk management and identifies the associated roles and responsibilities of the Board, management and employees in the oversight and management of risk. The policy is supplemented by an enterprise wide risk management framework (compliant with the Australian / New Zealand standard (AS/NZ 4360:2004) and the international standard (ISO 31000:2009)) that seeks to embed risk management processes into Transurban's business activities and functions.

8. RISK MANAGEMENT (continued)

Within the framework, each business unit is required to formally consider its risk environment and create a register of identified risks, a risk treatment plan and a risk management plan which are stored in a risk management information system. Progress in the management of risks is regularly reported to executive management. Executive management has also established a strategic risk register which it reviews on a quarterly basis.

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

Financial reporting - CEO and CFO certifications

The Board has received certifications from the CEO and the CFO in connection with the financial statements for the Transurban Group and the individual entities comprising the Transurban Group for the year ended 30 June 2010. The certifications state that the declaration provided in accordance with section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

Transurban Holdings Limited and Controlled Entities ABN 86 098 143 429

(including Transurban International Limited and Transurban Holding Trust)

Annual financial report for the year ended 30 June 2010

Transurban Holdings Limited ABN 86 098 143 429
Annual financial report - 30 June 2010

Directors' report

The directors of Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited, as Responsible Entity for Transurban Holding Trust, present their report on the Transurban Group for the year ended 30 June 2010.

Group accounts

The Transurban Group financial statements have been prepared as an aggregation of the financial statements of Transurban Holdings Limited and controlled entities (THL), Transurban International Limited and controlled entities (TIL) and Transurban Holding Trust and controlled entities (THT) 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			
David J Ryan AO	✓	✓	✓
Neil G Chatfield	✓	✓	
Geoffrey O Cosgriff	✓	✓	
Jeremy G A Davis AM	✓	✓	
Robert J Edgar (Appointed 21 July 2009)	✓	✓	
Lindsay P Maxsted	✓	✓	
Rodney E Slater	✓	✓	
Jennifer S Eve			✓
James M Keyes			✓
Executive Director			
Christopher J Lynch	✓	✓	✓

Results

The consolidated net profit for the year for the Transurban Group was $59,605,000 (2009: loss of $16,134,000). The net profit attributable to ordinary equity holders of the Transurban Group for the year was $59,418,000 (2009: loss of $24,575,000).

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 2010 $'000	30 June 2009 $'000
Distributions proposed		
Final distribution payable and recognised as a liability: 12 cents (2009: 11.0 cents) per fully paid Stapled Security payable 27 August 2010	**169,760**	141,095
	169,760	141,095
Distributions paid during the year		
Final distribution for 2009 financial year of 11.0 cents (2008: 29.0 cents) per fully paid Stapled Security paid 28 August 2009	**141,095**	319,076
Interim distribution for 2010 financial year of 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security paid 26 February 2010	**154,806**	140,041
Total distributions paid	**295,901**	459,117
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2010 and 30 June 2009		
Paid in cash	**230,451**	172,161
Executive loans - repayments	**65**	551
Satisfied by issue of Stapled Securities	**65,381**	286,418
Funds available (from)/for future distribution reinvestment plans	**4**	(13)
	295,901	459,117

Review of operations

Transurban's net profit for the year ended 30 June 2010 was $59.6 million. Despite the cessation of the M4 concession, toll revenue increased by 0.9 per cent to $684.4 million, reflecting traffic growth across all Australian assets. Excluding the M4 in both the current and prior corresponding period, toll revenue increased 7.3 per cent to $613.6 million. Management has continued to focus on cost control which has also contributed to the strong result.

Operating performance of Transurban's portfolio of assets

CityLink (Melbourne)
CityLink toll revenue for the year ended 30 June 2010 increased 9.1 per cent to $389.9 million, with average daily transactions increasing by 4.0 per cent.

CityLink traffic volumes began to return to pre-construction levels in the second half of the year ended 30 June 2010, as construction works were completed on Southern Link and the additional outbound lane from the Burnley Tunnel to Toorak Road was opened in December 2009.

Upgrade works continued throughout the year on the government owned West Gate Freeway and West Gate Bridge, and adjacent roads. These are expected to be completed in the second half of the year ended 30 June 2011.

CityLink's new Traffic Management System has commenced operation, enhancing emergency response capabilities and allowing for greater management of traffic flows on Southern Link, the Monash Freeway and the West Gate Freeway.

Hills M2 (Sydney)
Hills M2 toll revenue for the year ended 30 June 2010 increased 13.3 per cent to $141.5 million. Average daily trips increased 1.8 per cent.

The increase in toll revenue was largely driven by a 12.5 per cent increase in car tolls in July 2009 and the continued implementation of a two year program to increase truck tolls from 2.5 times car tolls to 3.0 times car tolls.

Review of operations (continued)

During the year, Transurban reached an in-principle agreement with the NSW State Government for a major upgrade of the Hills M2 Motorway. Refer to commentary below on other business development activities for an update on this project.

M1 Eastern Distributor (Sydney) – Airport Motorway Group
Toll revenue for the year ended 30 June 2010 for the M1 Eastern Distributor increased 4.4 per cent to $82.2 million.

M4 (Sydney) – Statewide Roads Group
The concession to toll the M4 ended on 15 February 2010.

Toll revenue for the period 1 July 2009 to 15 February 2010 was $70.8 million.

Following the cessation of the tolling concession, Transurban retains a right to operate and maintain the service centre located on the M4 Motorway.

M5 (Sydney) - Interlink Roads Pty Limited
M5 toll revenue for the year ended 30 June 2010 increased 3.6 per cent to $162.5 million. Average Daily Trips (ADT) increased 3.4 per cent compared to the prior corresponding period.

During the year, Transurban and Interlink Roads have worked together to reach an Initial Agreement with the NSW Roads and Traffic Authority to develop a concept design and funding plan to widen the M5. Refer to commentary below on other business development activities for detail on the M5 widening project.

Westlink M7 (Sydney)
Westlink M7 toll revenue for the year ended 30 June 2010 increased 9.5 per cent to $175.5 million. Strong growth in Average Daily Trips of 6.7 per cent contributed to the increase, as well as the quarterly toll escalation.

Growth in truck volumes was strong on Westlink M7 during the year, increasing by 6.9 per cent on the prior corresponding period. Westlink M7 has the higher truck to car ratio of all Transurban assets of 14.9 per cent.

Pocahontas 895 (Virginia USA)
Toll revenue for the year ended 30 June 2010 for Pocahontas 895 decreased 0.7 per cent to US$13.8m. The conditions in the Richmond economy drove under performance in traffic and revenue in the current year.

Construction on the Richmond Airport Connector continued during the year ended 30 June 2010 and is expected to be completed in 2011. Pocahontas 895 also commenced the installation process for a new Electronic Toll System to improve revenue capture and recovery.

Cost control

In the year ended 30 June 2008, Transurban announced a cost reduction program targeting the removal of corporate and operating costs from the ongoing cost structure of the business.

In the year ended 30 June 2010, further savings were achieved across all areas of the business. Transurban continues to monitor costs with a view to increasing the cash available for distribution to security holders.

Other corporate activities

Capital raising
On 10 May 2010, the Transurban Group announced that it would undertake a capital raising comprising a fully underwritten accelerated renounceable 1 for 11 entitlement offer to raise $542.3million at an offer price of $4.60 per security.

The capital raising was undertaken to fund the equity component of Transurban’s acquisition of the Lane Cove Tunnel (see Business Development activities below for further details of the acquisition) and took into account Transurban’s broader capital funding requirements for growth projects.

The capital raising was successfully completed on 10 June 2010.

Review of operations (continued)

Refinancing activities
Transurban has continued to have success in refinancing activities in the year ended 30 June 2010.

July 2009	Refinanced $515 million of non-recourse project debt on the M1 Eastern Distributor
December 2009	In conjunction with Interlink Roads Pty Limited, refinanced $500 million of non-recourse project debt on the M5 Motorway, as well as an additional $23 million of new debt.
March 2010	Refinanced $150 million of domestic medium term notes, with an additional $100 million of bonds also issued.
April 2010	Refinanced $130 million of bank debt, plus an additional $35 million
May 2010	Refinanced $65 million of bank debt

Business development activities

Acquisition of Lane Cove Tunnel (Sydney)
On 10 May 2010 Transurban announced that it had reached agreement to acquire the assets and motorway concession deed connected with the Lane Cove Tunnel in Sydney for $630.5million.

The 3.6 kilometre Lane Cove Tunnel is a key link on the Sydney orbital network that sits adjacent to the Hills M2. The Lane Cove Tunnel acquisition expands Transurban’s footprint on the Sydney orbital network and increases exposure to the North West Sydney corridor.

Transurban took control of theTunnel on 10 August 2010. From 10 May 2010 to the date of acquisition, Transurban has worked to maximise the ‘Day 1’ EBITDA margin on the Lane Cove Tunnel, primarily by eliminating costs.

DRIVe - Capital Beltway (Virginia USA)
Construction on the Capital Beltway (I-495) High Occupancy Toll (HOT) lane project is now over 40 per cent complete. The project remains on target for completion in late 2012, with first tolls expected in 2013.

The business case behind the Capital Beltway project remains strong with the corridor being one of the three most heavily congested roads in the US and economic conditions in Fairfax County remaining strong through the US recession.

Other elements of the Capital Beltway project have also progressed well during the year with construction on the HOT Operations Centre commencing as well as development of the Tolling and Traffic Management System.

M1 CityLink Upgrade
The Monash Freeway upgrade was completed in December 2009 enabling the opening of the new fourth outbound lane on the Southern Link section of CityLink at that time. Consistent strong traffic growth through the corridor has been observed since the opening.

Works have continued through the year on strengthening elevated areas of Southern Link inbound in order to allow the opening of the fourth inbound lane. Through the strengthening, the lane has progressively opened and strengthening works to allow the remainder of the lane to open is expected to be completed in September 2010. Additional works will continue on strengthening Southern Link throughout 2011.

Government works are also continuing on the West Gate Freeway and West Gate Bridge. Following completion of the West Gate Freeway works, a total of three lanes will enter Burnley Tunnel from the West Gate Freeway where there is currently only two.

A seven per cent uplift in CityLink traffic is expected within five years of completion of the broader corridor upgrade project. This uplift is relative to the estimated traffic levels if no upgrade works on the road had been undertaken. The projected uplift has started to be observed in the six months ended 30 June 2010.

Hills M2 upgrade
In October 2009 Transurban achieved in-principle agreement with the NSW Government on a major project to upgrade the Hills M2. As part of the in-principle agreement, all tolls will increase by approximately 8% at construction completion and the concession, which currently expires in 2042, will be extended 4 years. Financial close is expected in the six months ended 31 December 2010 with construction to commence thereafter.

At 30 June 2010, the Environmental Assessment had been completed and public comment received.

Review of operations (continued)

M5 Motorway widening
In December 2009 the NSW RTA signed an initial agreement with Interlink Roads to develop a concept design and funding plan to widen the M5 Motorway. The project involves widening the M5 Motorway by one lane in each direction.

Under the terms of the Agreement, Interlink's project development costs are fully underwritten by the RTA, subject to certain conditions, in the event the project does not proceed.

Transurban and Interlink have been working with the RTA since the initial agreement to finalise project scope and timing. Achievement of financial close on the M5 widening is expected following agreement of the M2 Upgrade.

Significant changes in the state of affairs

On 10 May 2010, Transurban announced that it had reached agreement to acquire the assets and motorway concession deed connected with the Lane Cove Tunnel in Sydney for $630.5 million.

On 15 February 2010, the concession to toll the M4 Motorway in Sydney ended. Transurban retains the right to operate and maintain the service centre located on the M4 Motorway.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year, the Group has completed the acquisition of the assets and motorway concession deed connected with the Lane Cove Tunnel in Sydney. The Group took control of the assets and concession deed on 10 August 2010. The acquisition was funded through cash on hand from a capital raising in May 2010 and external bank debt.

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 controlled assets.

Information on directors

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

Term of office
Director since 29 April 2003. Chairman since 28 February 2007.

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

David is a non-executive director of Lend Lease Corporation Limited and non-executive Chairman of Tooth & Co Limited and ABC Learning Centres Limited (administrators appointed) (receivers and managers appointed).

David holds interests in 66,486 Stapled Securities.

Transurban Board Committee membership
Chairman of each of the Nomination and Sustainability Committees and a member of each of the Audit and Risk and Remuneration Committees.

Information on directors (continued)

Christopher J Lynch B Comm, MBA, FCPA.
Chief Executive Officer

Term of office
Director since 18 February 2008. CEO since April 2008.

Chris came to Transurban from one of the world's largest resources and mining companies, BHP Billiton. He held a series of senior appointments there, including 5 years as CFO. His last position at BHP Billiton was Executive Director and Group President - Carbon Steel Materials. Prior to his time at BHP Billiton the bulk of Chris' career was with Alcoa Inc where his roles included Vice President and CIO (1999-2000), CFO Europe (1997-1999), and Managing Director of KAAL Australia Limited (1996-1997).

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

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

Chris holds interests in 254,966 stapled securities and 1,100,932 Performance Awards.

Neil G Chatfield M.Bus, FCPA, FAICD.
Independent non-executive director.

Term of office
Director since 18 February 2009.

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

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

Neil holds interests in 20,910 stapled securities.

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

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

Term of office
Director since 19 December 2000.

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

He is a non-executive director of UXC Limited and a director of Infocos Pty Limited. He was formerly a director of Logica Australia Pty Ltd (until June 2008).

Geoff holds interests in 144,423 stapled securities.

Transurban Board Committee membership
Chairman of the Remuneration Committee and a member of the Nomination Committee.

Information on directors (continued)

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

Term of office
Director since 16 December 1997.

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

Jeremy holds interests in 158,188 stapled securities.

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

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

Term of office
Director since 21 July 2009.

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

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

Bob holds interests in 11,836 stapled securities.

Transurban Board Committee membership
Member of each of the Nomination and Sustainability Committees.

Lindsay P Maxsted Dip Bus, FCA.
Independent non-executive director

Term of office
Director since 1 March 2008.

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

Lindsay holds interest in 12,000 stapled securities.

Transurban Board Committee membership
Chairman of the Audit and Risk Committee and a member of each of the Nomination and Sustainability Committees.

Information on directors (continued)

Rodney E Slater J.D., BS
Independent non-executive director

Term of office
Director since 22 June 2009.

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

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

Rodney holds no stapled securities.

Transurban Board Committee membership
Member of each of the Nomination and Sustainability Committees.

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

Term of office
Director of TIL since 18 September 2006.

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

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

Jennifer holds no stapled securities.

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

Term of office
Director of TIL since 18 September 2006.

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

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

James holds no stapled securities.

Company secretary

Elizabeth Mildwater BEc, LLB (Hons), MA, GAICD
Elizabeth joined Transurban in May 2008. She is responsible for company secretarial, compliance, risk, legal and human resource functions within the business. Before joining Transurban, Elizabeth was General Counsel and Company Secretary of SP AusNet for three years. She has over 17 years of legal, company secretarial and other relevant experience, mostly within the infrastructure sector. Her experience includes several years of international project development in the power generation and water industries, as well as more recent experience within the Australian regulated electricity sector. Prior to her in-house work, Elizabeth was a solicitor with Australian law firms Blake Dawson Waldron and Freehills. Elizabeth recently completed the Advanced Management Programme at Harvard Business School in the US.

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

J (Brett) Burns BCom, LLB
Brett was General Counsel, Australia until 18 September 2009. Brett was with Transurban for seven years, initially as an external legal adviser and, from 2003, was responsible for Australian legal matters and providing support to Company Secretariat and the North American business.

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

Meetings of directors

The number of meetings of the board of directors of THL, TIL and TIML held during the year ended 30 June 2010, and the number of meetings attended by each director are listed below.

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

	Board of Directors THL		Board of Directors TIML		Board of Directors TIL	
	Attended	Held	Attended	Held	Attended	Held
David J Ryan	28	28	28	28	4	4
Christopher J Lynch	28	28	28	28	4	4
Neil G Chatfield	26	28	26	28	*	*
Geoffrey O Cosgriff	28	28	28	28	*	*
Jeremy G A Davis	28	28	28	28	*	*
Robert J Edgar (Appointed 21 July 2009)	25	28	25	28	*	*
Lindsay P Maxsted	27	28	27	28	*	*
Rodney E Slater	18	28	18	28	*	*
Jennifer S Eve	*	*	*	*	4	4
James M Keyes	*	*	*	*	4	4

* = Not a member of the relevant Board

The number of meetings of each board committee of THL, TIML and TIL held during the year ended 30 June 2010, and the number of meetings attended by each director are set out in the following table.

	Audit and Risk Committee(1)		Remuneration Committee(2)		Nomination Committee(3)		Sustainability Committee(4)		Special purpose Sub-committees	
	Attended	Held#	Attended	Held#	Attended	Held#	Attended	Held#	Attended	Held#
David J Ryan	7	7	8	8	1	1	3	3	5	5
Christopher J Lynch	7	*	7	*	1	*	3	*	11	13
Neil G Chatfield	7	7	1	*	1	1	*	*	7	10
Geoffrey O Cosgriff	4	*	8	8	1	1	*	*	*	*
Jeremy G A Davis	7	7	7	8	1	1	*	*	12	13
Robert J Edgar (Appointed 21 July 2009)	*	*	*	*	1	1	2	3	*	*
Lindsay P Maxsted	7	7	1	*	1	1	3	3	13	13
Rodney E Slater	1	*	1	*	1	1	3	3	*	*
Jennifer S Eve	*	*	*	*	*	*	*	*	*	*
James M Keyes	*	*	*	*	*	*	*	*	*	*

= Number of meetings held during the time the director held office and was a member of the committee during the year
* = Not a member of the relevant committee

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

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

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

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

2010 REMUNERATION REPORT

INTRODUCTION

The Directors present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 for Transurban Holdings Limited and its controlled entities (the Group) for the year ended 30 June 2010. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

The Remuneration Report contains detailed information regarding the remuneration arrangements for the directors and senior executives who are the 'key management personnel' (KMP) of the Group. The KMP include the five highest remunerated executives of the Group for the year ended 30 June 2010, and are listed in the tables below:

Senior executives		**Non-executive directors**
Name	*Position*	*Name*
Chris Lynch	Executive Director, Chief Executive Officer (CEO)	David Ryan
Brendan Bourke	Chief Operating Officer	Neil Chatfield
Tom Honan	Chief Financial Officer	Geoff Cosgriff
Elizabeth Mildwater	Chief Legal Counsel and Company Secretary	Jeremy Davis
Andrew Head	Group General Manager, Strategy and Development	Bob Edgar
Megan Fletcher	Group General Manager, Public Affairs	Lindsay Maxsted
Samantha Hogg[1]	Acting Group General Manager, People, Legal and Governance	Rodney Slater
David Cardiff[2]	Group General Manager, Human Resources	Jennifer Eve
Ken Daley	President, International Development	James Keyes
Michael Kulper	President, Transurban North America	

1 *Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010. Upon her return she fulfilled the role of Group General Manager People, Legal and Governance for Elizabeth Mildwater who was on study leave.*
2 *David Cardiff resigned with effect from 30 November 2009.*

During the year ended 30 June 2010, the Board reviewed key aspects of the remuneration of the CEO and other senior executives, taking into account feedback received from security holders on the 2009 Remuneration Report. As a result of the review, certain changes were implemented. The Group also revised the format of the Remuneration Report in an effort to improve security holder understanding of its remuneration arrangements.

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

REMUNERATION GOVERNANCE

Board and Remuneration Committee responsibility

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

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

Engagement of remuneration consultants

To ensure it has all relevant information at its disposal when making remuneration decisions, the Remuneration Committee seeks and considers advice from independent remuneration consultants where appropriate. Any advice and recommendations from external consultants are used to guide the Remuneration Committee and the Board, but do not serve as a substitute for thorough consideration of the issues by directors.

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

During the year ended 30 June 2010, market remuneration data was used to assist the Remuneration Committee in making decisions regarding non-executive director and senior executive remuneration. It was provided by the Hay Group, an independent external consultant who were engaged by the Remuneration Committee.

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 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 whole ownership of CityLink in Melbourne, and the Hills M2 and Lane Cove Tunnel (control taken on 10 August 2010) in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1%), M5 (50.0%), and M7 (50%). In North America, the Group has interests in two assets, Pocahontas 895 (75%) and the Capital Beltway Express (67.5%), which is under construction in Northern Virginia.

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

The Group's remuneration strategy uses three critical measures of performance to align management and investors; total shareholder return (TSR), proportional net costs and proportional Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA). TSR is a commonly utilised measure of company performance and this coupled with the other measures align with the particular character of the Transurban Group. Further explanation of these measures and the rationale for their utilisation is outlined in Sections 5 and 6. These measures, along with KPIs related to individual areas of accountability form the core elements of the Group's remuneration framework.

CEO AND SENIOR EXECUTIVE REMUNERATION

1 REMUNERATION STRATEGY AND POLICY

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

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

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 rewards with individual and Group performance by:

- Making short term 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

Fixed remuneration:

- 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'

Short term incentive:

- Cash rewards tied to pre-determined individual and Group annual performance measures.
- Individual targets reflect individual specific accountabilities and key drivers for growth and success.
- Group performance targets linked to earnings and cost management.

Long term incentive:

- Equity rewards to align executive and security holder interests.
- Vest after 3 years, subject to relative total security holder return and Group earnings growth.
- Encourages sustainable performance in the medium to longer term, and provides a retention element.

2 RELATIVE WEIGHTINGS OF REMUNERATION

The remuneration of the CEO and other senior executives is structured as a mix of fixed remuneration and variable or 'at risk' remuneration (through short term and long term incentive components).

The relative weightings of the three remuneration components for the CEO and other senior executives are determined by the Board (on the advice of the Remuneration Committee) and are set out in the table below:

Relative weightings of remuneration components[1]

	% of total remuneration (annualised)		
	Fixed remuneration	Variable remuneration (performance-based)	
		STI	LTI
CEO	34	33	33
Other senior executives	50-56	25-22	25-22

1 *These figures do not reflect the relative value derived from each of the components, which is dependent on actual performance against targets for the variable components. This is discussed in sections 5 and 6 below. The above STI percentages are based on achieving 100% of the relevant performance targets. The above LTI percentages are based on the maximum LTI available to each executive if 100% of the awards granted vest.*

3 KEY CHANGES FOR THE YEAR ENDED 30 JUNE 2010

Following careful consideration by the Board, the following changes to the various components of remuneration were implemented during the year ended 30 June 2010. In making these changes, the Board has sought to address the feedback received from security holders and other stakeholders. The Board has also taken into account the shift in corporate governance expectations regarding remuneration issues, whilst recognising the need to appropriately remunerate strong performance.

Change
Fixed remuneration
Salary freeze: A salary 'freeze' was instituted for the CEO and other senior executives, and the majority of employees on salaries of $200,000 or more, for the year ended 30 June 2010. Fixed remuneration increases for all employees averaged 2.2% during the same period. The Board approved the salary freeze in light of both an anticipated slowdown in the broader Australian economy and business objectives regarding cost reductions.
Variable remuneration - short term incentives (STIs)
CEO's STI: In the year ended 30 June 2009, as a one-off arrangement, the CEO had a guaranteed minimum annual STI payment of 50% of his annual TEC. This guarantee has ceased. For the year ended 30 June 2010 and future years, the CEO's STI is performance based and 100% at risk. There is no minimum guaranteed STI payment.
STI performance measures: For the year ended 30 June 2010, STI performance measures for the CEO and other senior executives consisted of: • individual key performance indicators (KPIs); • a shared senior executive KPI; and • Group performance measures based on proportional EBITDA (from the Group's audited financial statements) and cost management. The inclusion of a cost management target for STIs is a new initiative for the year ended 30 June 2010.
Variable remuneration - long term incentives (LTIs)
Cessation of Executive Equity Plan (EEP): Grants under the EEP, which were made during the year ended 30 June 2009, have ceased. The EEP was used to achieve retention of key personnel during a period of transition for the business and is no longer required.

All LTIs granted to the CEO and other senior executives during the year ended 30 June 2010 are subject to performance hurdles.

No retesting: LTIs in the form of Performance Awards granted in the year ended 30 June 2010 are tested once at the end of the 3 year performance period. No retesting of Performance Awards granted under the LTI plan is available.

Proportional EBITDA target: The Group's proportional EBITDA percentage growth rate is calculated based on EBITDA results included in the Group's audited financial statements and is adjusted for acquisitions and divestments that may occur during the performance period and is subject to Board approval. For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements.

Following a review of the Group's LTI arrangements, the Board concluded that proportional EBITDA continues to best reflect the underlying performance of the Group and be an appropriate LTI performance measure.

Performance hurdles for the proportional EBITDA measure have been increased to 6 - 9% compound growth (on actual proportional EBITDA results for the year ended 30 June 2009), for the 2010 LTI plan. This is a change from the 5 - 9% applied in the prior period. The 6-9% range was determined based on the Group's understanding of a range of business parameters including forecast on traffic growth, toll increases and operating costs.

Security holder approval of CEO LTIs: The Group intends to seek security holder approval of the CEO's LTI grant for the year ended 30 June 2011 at the 2010 Annual General Meeting. The Group considers seeking such approval to be good corporate governance practice. The LTI grants will be made under the CEO's employment agreement. Due to contractual arrangements, in the event that security holders do not approve the proposed grant, a cash payment equivalent to the remuneration value of the LTI awards will be made to Mr Lynch subject to the terms and conditions of the LTI plan offered for the year ended 30 June 2011.

4 FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?

The remuneration for all senior executives is represented by total employment cost (TEC) comprising base salary, company superannuation contributions and benefits such as salary continuance, death and disability insurance.

This amount of 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. In light of both an anticipated slowdown in the broader Australian economy and business objectives regarding cost reductions, the CEO recommended, and the Board approved, a salary 'freeze' for the CEO and other senior executives for the year ended 30 June 2010.

How is TEC determined?

TEC levels are reviewed annually by the Remuneration Committee at the beginning of each financial year by reference to relevant comparative compensation in the market, as well as each senior executive’s performance. Independent remuneration consultants and surveys, internal considerations and market conditions also provide guidance. TEC is also reviewed upon promotion.

5 SHORT TERM INCENTIVE (STI)

What is the STI plan?

The STI plan is an annual cash incentive plan linked to specific pre-determined individual and Group performance measures set as a fixed percentage of TEC.

Who participates in the STI plan?

All permanent Group employees including the CEO and other senior executives participate in the STI plan. Fixed term employees with tenure greater than two years are also eligible participants.

Why does the Board consider the STI an appropriate incentive for senior executives?

The STI plan puts a significant proportion of senior executive remuneration 'at risk' against meeting specific targets linked to the Group's business objectives. The STI plan focuses participants on achieving performance targets and provides incentive for high performance. This aligns executive interests with the Group's financial performance, as well as management principles and the cultural values of the Group.

What proportion of fixed remuneration does the STI plan represent?

For the year ended 30 June 2010, the CEO had a target STI opportunity of 100% of his annualised TEC. Other senior executives had a target STI opportunity of 40% - 50% of their annualised TEC.

What are the performance measures?

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

There were three categories of performance measures for the CEO and other senior executives for the year ended 30 June 2010. They are described below and were chosen to provide a balance between individual, Group, operational, strategic, financial and non-financial aspects of performance.

2010 STI performance measures for the CEO and other senior executives

Performance measure	% of target STI amount performance measure applies to	Target(s) for performance measure
Individual key performance indicators (KPIs)	40%	Individual KPIs are unique to the individual's area of accountability, but relate to critical business sustainability measures including: operational performance; cost reduction; customer satisfaction; project outcomes; succession planning; risk management; people management; strategy development; and business plan implementation. Individual KPIs reflect the behaviours valued by the Group, and are capable of measurement. Individuals have a clear line of sight to KPIs and are able to directly affect results through their actions.
Shared senior executive KPI	10%	To achieve the business objective of creating and maintaining a safety culture, the senior executive team shared a safety KPI that required outcomes relating to: • a reduction in lost time injury frequency rates; • implementation of an OHS Management Framework in Australia and US; and • the completion of risk and ergonomics assessments.
Group performance targets	50%	To ensure that STI payments are aligned with business performance and the creation of value for security holders, there are two Group performance targets: • a proportional EBITDA target; and • a cost management target based on proportional net costs. Each accounts for half of the group performance targets.

The CEO's individual KPIs are set by the Board. All other senior executives individual KPIs and the shared senior executive KPI are set by the CEO and approved by the Board. The Board sets the Group performance targets.

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

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

Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions.

Proportional EBITDA is one of the primary measures that the Board uses to assess the operating performance of the Group. 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.

Unlike companies in other industries toll roads do not require any discretionary capital expenditure except in the occasional upgrade project such as the M1 upgrade. These are rigorously analysed as projects and incorporated in EBITDA targets once completed. Therefore, proportional EBITDA for Transurban captures the critical measure of performance that management can control.

Since 2009, proportional EBITDA has been used as a performance hurdle for both STIs and LTIs to ensure that the long term growth and activities of the Group are not sacrificed in the short term to achieve a desired operating result in a given year.

Proportional EBITDA figures used to assess performance are extracted from the financial statements which have been audited by PricewaterhouseCoopers.

The Board can decide to exclude specific items from proportional EBITDA to provide an underlying result. These items reflect one-off, non-recurring items, both revenue and expenses, that will not contribute to the Group’s performance in future periods. Where they are not reflective of the Group’s ongoing operating performance, these one-offs are also excluded when determining performance incentives. For the year ended 30 June 2010 the Board has excluded corporate advisory costs incurred in advising the Board with respect of the joint change of control proposals made by CPPIB, OTPP and CP2.

Why is proportional EBITDA a better performance measure than statutory EBITDA?

Proportional EBITDA provides a better reflection of the operating performance of the Group and the EBITDA generated from its portfolio. The presentation of proportional EBITDA permits a meaningful and appropriate analysis of the underlying performance of the Group's assets.

The EBITDA calculation from the statutory accounts would not include the operating performance of the M5, M7 or DRIVe (which are equity accounted in the statutory results). These assets are meaningful contributors to the Group's performance and it is therefore appropriate that they be included in the measure of executive performance.

What is the cost management measure and why does Transurban use it as a performance measure?

The cost management measure is based on proportional net costs. Proportional net costs are the operating, corporate and business development costs of the Group less non-toll revenues (fees and other). The deduction of these non-toll revenues from costs encourages and allows management to incur additional costs where these are justified by increased revenue results (e.g. toll collection activities such as video tolling and/or enforcement). The inclusion of a cost measure in Transurban's performance rewards reflects the fact that management has the ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and cash flow and ultimately security holder value. The year ended 30 June 2010 was the first year that proportional net costs have been used by the Group as a performance measure.

As with proportional EBITDA, in specific cases items are excluded from proportional net costs to provide underlying net costs. Underlying net costs are used when determining performance incentives. For the year ended 30 June 2010 the Board has excluded corporate advisory costs incurred in advising the Board with respect of the joint change of control proposals made by CPPIB, OTPP and CP2.

What are the proportional EBITDA and proportional net costs targets for the year ended 30 June 2010?

The proportional EBITDA and proportional net costs targets for the year ended 30 June 2010 are set out in the table below:

Proportional EBITDA target	Percentage of STI that vest*	Proportional net costs target
Actual proportional EBITDA result is below that for the year ended 30 June 2009	0%	Actual underlying proportional net costs are over budget for the year ended 30 June 2010
Actual proportional EBITDA result achieved is the same as the year ended 30 June 2009	50%	Actual underlying proportional net costs on budget for the year ended 30 June 2010
Budgeted proportional EBITDA achieved for the year ended 30 June 2010	100%	Actual underlying proportional net costs are 5% below the budgeted underlying proportional net costs for the year ended 30 June 2010
5% above the budgeted proportional EBITDA for the year ended 30 June 2010	150%	15% below the budgeted underlying proportional net costs for the year ended 30 June 2010

* straight line vesting applies between 50-150%

The targets were set against the year ended 30 June 2009 results (which include a full year of M4 contributions) and the 30 June 2010 budget.

How are the varying levels of performance achievement rewarded?

The STI targets are designed to differentiate and reward high performance.

50% of the available STI vests for on target performance, 100% vests for achievement of high performance and an additional 50% can be earned for outperformance. These targets are consistent for all of the Group's permanent employees.

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

How is performance assessed?

Individual KPIs

The CEO's performance is assessed by the Remuneration Committee which then makes recommendations to the Board.

The performance of other senior executives against their individual KPIs is assessed by the CEO, who confers with the Remuneration Committee and then the Board regarding his assignment.

Group performance targets

The performance of senior executives against the Group performance targets is assessed by the Board and independently audited.

Shared senior executive KPIs

The CEO's performance, and the performance against the senior executive team's shared KPI, is assessed by the Remuneration Committee which then makes recommendations to the Board. These results are also independently reviewed.

Board approval

Once KPIs have been assessed, the Board approves STI amounts for payment, typically in August each year.

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

What if a senior executive ceases employment?
If the CEO's employment is terminated before STI targets are achieved, the CEO will receive the higher of pro rata target STI or actual performance. If a senior executive ceases employment with the Group before STI targets are achieved, the senior executive will generally not be entitled to receive any STI payment, unless otherwise determined by the Board.
What STIs did senior executives earn in 2010?
STI payments for the year ended 30 June 2010 are set out in the table below.

STIs awarded in respect of the year ended 30 June 2010

	Actual STI awarded [3]	Target STI paid	Target STI forfeited
Name	**$**	**%**	**%**
Chris Lynch	2,740,000	132	-
Brendan Bourke	432,400	118	-
Tom Honan	648,250	130	-
Elizabeth Mildwater	273,750	122	-
Andrew Head	271,300	136	-
Megan Fletcher	185,050	116	-
Samantha Hogg[1]	49,500	124	-
David Cardiff[2]	-	-	100
Ken Daley	471,200	126	-
Michael Kulper	725,390	124	-

1 *Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010. The actual STI awarded reflects a pro-rated payment.*

2 *David Cardiff resigned with effect from 30 November 2009.*

3 *The target level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI which would have been awarded in respect of the year ended 30 June 2010 was nil. The STI payments in respect of the year ended 30 June 2010 are paid in September 2010.*

6 LONG TERM INCENTIVE (LTI)

What is the purpose of the LTI program?
The LTI program aligns reward with security holder wealth by tying this component of executive remuneration to the achievement of performance conditions which underpin sustainable long term growth.
Who participates in the LTI program?
Participation in the LTI program is only offered to senior executives, and certain other senior managers approved by the Board.
What proportion of TEC was granted under LTI program in the year ended 30 June 2010?
For the year ended 30 June 2010, the CEO was offered an LTI grant equivalent to 100% of his annualised TEC. Other senior executives were offered grants representing approximately 40% - 50% of their annualised TEC. All grants made to senior executives in the year ended 30 June 2010 are subject to performance conditions.

How is reward delivered under the LTI program?

LTI grants are delivered in the form of performance awards under the Group's Performance Awards Plan (PAP). Performance awards are offered at no cost to the participants. Each performance award is an entitlement to receive a fully-paid Transurban security on terms and conditions determined by the Board, including the achievement of certain vesting conditions linked to performance over a three year period.

If the vesting conditions are satisfied, the performance awards vest and Transurban securities will be delivered to the senior executive.

Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, it is the Board's current intention to settle any vested performance awards in Transurban securities.

What rights are attached to the performance awards?

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

What are the performance measures?

None of the participants derive actual value from their LTI grants unless performance hurdles are achieved.

Performance awards are subject to dual performance measures over a three year performance period:

- relative total security holder return (TSR); and
- growth in proportional EBITDA.

Each condition applies to 50% of the available LTI award.

What are the performance hurdles?

Relative TSR

The relative TSR component of the performance awards will vest if the Group's relative TSR performance is at least above the median of the S&P/ASX100 group of companies at the end of the three year performance period, in accordance with the following table:

TSR vesting schedule

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

Proportional EBITDA

The percentage of performance awards that will vest will depend on the Group's percentage compound proportional EBITDA growth over a three financial year performance period including on a part-year basis. The measure will be adjusted to include or exclude the relevant EBITDA from acquisitions and divestments that may occur during the performance period. The proportional EBITDA vesting schedule is set out below:

Since 2009, proportional EBITDA has been used as a performance measure in both the LTI and STI plans. This measure is effective for the STI plan as it maintains a focus on the Group's operating results and associated cash generation. Proportional EBITDA also acts to ensure that the long term growth and activities of the Group are not sacrificed in the short term to achieve a desired operating result in a given year and therefore it is also the measure utilised for the LTI plan.

The movement in proportional EBITDA best reflects Transurban's underlying business performance and its goal of long term sustainable growth in earnings from existing operations. In addition, there are many aspects of proportional EBITDA that management can influence to drive improvements in short term earnings.

Proportional EBITDA vesting schedule

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

Why have these performance measures been chosen?

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

The proportional EBITDA hurdle provides evidence of the Group's growth in earnings and is linked to the Company's overall strategic objectives.

Why does the Board think that the S&P/ASX 100 index is an appropriate comparator group?

The S&P/ASX100 comparator group was chosen due to a lack of publicly listed companies in the toll road sector in Australia.

Additionally, this Group reflects Transurban's competitors for security holder capital and talent. As each of the ASX100 companies are subject to similar challenges, opportunities and market sentiment, the Group's performance in comparison to that of these companies should more fairly reflect the strength of the Group's performance.

How are the performance hurdles measured?

Relative TSR

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

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

Proportional EBITDA

The Group's proportional EBITDA percentage growth rate is calculated based on EBITDA results included in the Group's audited financial statements and is adjusted for acquisitions and divestments that may occur during the performance period and is subject to Board approval. For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements.

What if a senior executive ceases employment?

If the CEO ceases employment with the Group before the performance condition is tested, then he is entitled to retain any unvested performance awards, which will vest in accordance with the performance conditions under the LTI plan as at the time of grant.

If senior executives cease employment with the Group before the performance condition is tested, then their unvested performance awards will lapse, unless the Board determines otherwise.

What happens in the event of a change in control?

LTIs form part of the CEO and senior executives' remuneration. In the event of a takeover or change of control of the Group, any unvested performance awards will automatically vest.

Performance awards that vest following a change of control will not generally be subject to restrictions on dealing.

What was the grant, movement in the number and value of performance awards by senior executives during the year ended 30 June 2010?
These are summarised in tables below.

Performance Awards granted in the year ended 30 June 2010

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date[1]	VWAP at grant date
			$	$
TSR	11-Dec-09	11-Dec-12	3.33	5.55
EBITDA	11-Dec-09	11-Dec-12	4.97	5.55

1 The fair value was calculated as at the grant date of 11 December 2009. An explanation of the pricing model used to calculate these values is set out in Note 35 to the financial statements.

Performance awards granted in the year ended 30 June 2010

	Number of performance awards granted [3]	Value at grant date	Maximum total value of grant yet to vest [4]
Name		**$**	**$**
Chris Lynch	617,211	2,561,424	2,561,424
Brendan Bourke	109,050	452,559	452,559
Tom Honan	148,368	615,727	615,727
Elizabeth Mildwater	66,766	277,077	277,077
Andrew Head	59,347	246,291	246,291
Megan Fletcher	47,478	197,033	197,033
Samantha Hogg[1]	47,478	197,033	197,033
David Cardiff[2]	-	-	-
Ken Daley	111,276	461,795	461,795
Michael Kulper	161,956	672,118	672,118

Performance awards vest subject to performance over the period from 11 December 2009 through to 11 December 2012.

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

1 Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010.

2 David Cardiff resigned with effect from 30 November 2009.

3 The grants made to senior executives constituted their full LTI entitlement for the year ended 30 June 2010 and were made on 11 December 2009 on the terms summarised above.

4 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 conditions are not met, is nil.

7 OTHER EQUITY PLANS

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

ShareLink Incentive Plan

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

Eligible employees received a grant of 100 securities at no cost to them on 5 February 2010. 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 past performance and is not intended to serve as a future incentive, there are no performance conditions attached to grants of securities or cash payments under the plan.

ShareLink Investment Tax Exempt Plan

This plan provides eligible employees the opportunity to invest in Transurban securities, on a tax-exempt basis, up to $1,000 per annum, of which half is contributed by the Group and half is contributed by the employee through salary sacrifice. All permanent employees are eligible to participate in this plan. For the year ended 30 June 2010, securities were acquired by plan participants on 26 March 2010 and 18 June 2010.

Grants of securities under this plan are designed to encourage employee security holdings and to align the interests of employees with the Group and therefore are not subject to performance conditions.

ShareLink Investment Tax Deferred Plan

This plan was suspended in May 2009 due to proposed changes in tax legislation governing employee share plans in Australia. This plan was reviewed and a new offer was made to eligible employees during the year ended 30 June 2010 and will take effect in the year ended 30 June 2011.

The plan now provides eligible employees with the opportunity to invest in Transurban securities, on a salary sacrifice basis, up to $5,000 per annum. Participants also receive up to $3,000 of a matching component from the Group. The plan has a maximum disposal restriction period of three years including a twelve month forfeiture period.

Equity grants under this plan are designed to encourage employee security holding and to align the interests of employees with the Group and therefore are not subject to performance conditions.

8 LEGACY LTI PLANS

There are a number of legacy LTI plans that are no longer offered to new entrants but which have existing participants. Details of these plans are in the following tables.

2007 Executive Loan Plan (ELP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)	
Plan terms and conditions	
Grant date:	1 Nov 2006
Vesting date:	1 Nov 2009
Expiry date:	31 Dec 2009
Grant price:	$7.28
Value per unit at grant date:	$1.37
Details of plan	
Australian participants were granted Transurban securities purchased using interest free loans provided by the Group. These securities vest in the participants subject to meeting the stipulated performance condition. Outstanding loans are repaid upon vesting. Overseas participants were granted performance rights which provided for cash payments upon vesting, subject to meeting the stipulated performance condition.	

Performance hurdles

The Plan had a single performance measure of relative TSR against the S&P/ASX 100 Industrials.

TSR vesting schedule

Relative TSR ranking in the comparator group	% of awards that vest
At or below the 50th percentile	Nil
Above the 50th percentage but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Result (movements in plan for the year ended 30 June 2010)

The 2007 award matured on 1 November 2009. No awards vested as the prescribed performance condition was not met. The following Transurban securities and performance rights lapsed during the year ended 30 June 2010 for the following key management personnel:

B Bourke (160,000)

D Cardiff (35,000)

A Head (22,500)

K Daley (100,000)

M Fletcher (15,000)

M Kulper (100,000)

The value of the securities which lapsed during the year, based on the original loan was:

B Bourke $987,854

D Cardiff $216,090

A Head $138,913

The value of performance rights for overseas participants which lapsed during the year was:

K Daley $137,000

M Fletcher $20,550

M Kulper $137,000

2008 Performance Rights Plan (PRP) (Performance Rights for Australian and overseas participants)

Plan terms and conditions

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

Details of plan

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

Overseas participants were granted performance rights which provided for cash payments upon vesting, subject to meeting the stipulated performance condition.

Performance hurdles

For Australian participants, the Plan has two performance measures, statutory EBITDA and relative TSR against the S&P/ASX 100 Index, each applied to 50% of the awards.

For overseas participants, the Plan has two performance measures, DRIVe management fee growth and relative TSR against the S&P/ASX 100 Index, each applied to 50% of the awards.

The TSR vesting schedule is as per the above table.

Statutory EBITDA and DRIVe management fee vesting schedule

% compound statutory EBITDA annual growth	% of awards that vest
10%	50%
Between 10% and 15%	Straight line vesting between 50-100%
15% or more	100%
% compound growth of the DRIVe management fee	**% of awards that vest**
20%	50 %
Between 20% and 25%	Straight line vesting between 50-100%
25%	100%

Result (movements in plan for the year ended 30 June 2010)

8,401 performance rights were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed rights was $39,737. The Board exercised its discretion in awarding D Cardiff, on a pro-rata basis, 19,027 performance rights to be vested post employment subject to terms and conditions of the plan.

2009 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan terms and conditions

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

Details of plan

Participants were granted performance rights that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance conditions. The Board has discretion to award cash payments of equivalent value upon vesting.

Performance hurdles

The plan has two performance measures, proportional EBITDA and relative TSR against the S&P/ASX 100 Index, each applies to 50% of the awards.

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

The TSR vesting schedule is as per the above table.

Proportional EBITDA vesting schedule

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

Result (movements in plan for the year ended 30 June 2010)

The table below sets out the performance hurdles achieved over the testing period, the vesting scale, banked awards and awards to be carried forward for Tranche 2 for testing.

Performance Measure	Number of awards subject to testing	Testing period	Vesting scale	Number of awards banked in tranche 1	Number of awards to be carried forward to tranche 2
TSR	219,048	31 Oct 2008 to 30 Oct 2009	0%	-	219,048
Proportional EBITDA	219,048	Year ended 30 June 2009	83%	181,810	37,238

29,749 performance awards were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed Awards was $112,600.
The Board exercised its discretion in awarding D Cardiff, on a pro-rata basis, 16,763 Performance Awards to be vested post employment, subject to the terms and conditions of the plan.

2009 Executive Equity Plan (EEP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)

Plan terms and conditions

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

Details of plan

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

Executives based outside Australia receive a grant of performance rights at no cost which entitles participants to receive Transurban securities which vest at the end of the vesting period of three years.

Performance Hurdles

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

Result (movements in plan for the year ended 30 June 2010)

19,146 Transurban securities were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed securities was $104,729.

9 DEALINGS IN SECURITIES

In accordance with Transurban's Dealing in Securities Policy, employees who have performance awards under an LTI plan may not hedge against those rights until they have vested. Employees may hedge after vesting if the hedge is both initiated in and arranged so that the specified exercise date falls within an open period.

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

10 REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

Remuneration of key management personnel, who included the five highest paid executives of the Group. All values are in Australian dollars unless otherwise stated.

Remuneration for the years ended 30 June 2010 and 30 June 2009

	Short-term employee benefits				Post-employment benefits	Long term benefits	Termination benefits	Share based benefits[2]			Total
	Cash salary and fees	Value of equities acquired in lieu of cash salary/fees	Cash Bonus[1]	Non-monetary benefits	Super-annuation	Long service leave		2007 ELP	2008 PRP/2009 & 2010 PAP	2009 EEP	
Executive director											
C Lynch											
2010	**2,030,860**	**-**	**2,740,000**	**6,049**	**50,000**	**-**	**-**	**-**	**1,079,488**	**113,261**	**6,019,658**
2009	1,980,839	-	2,800,000	36,881	100,000	-	-	-	404,265	75,093	5,397,078
Other key management personnel											
B Bourke											
2010	**687,093**	**-**	**432,400**	**6,049**	**49,107**	**13,148**	**-**	**24,800**	**346,315**	**132,046**	**1,690,958**
2009	635,976	-	329,800	7,845	100,241	15,913	-	88,498	217,564	18,051	1,413,888
D Cardiff[3]											
2010	**157,544**	**-**	**-**	**-**	**10,420**	**4,443**	**268,637**	**5,425**	**(65,233)**	**(29,389)**	**351,847**
2009	344,033	-	314,500	-	57,042	16,198	-	20,303	82,038	18,051	852,165
K Daley[4]											
2010	**706,407**	**-**	**1,271,200**	**53,677**	**49,004**	**14,168**	**-**	**-**	**280,674**	**27,226**	**2,402,356**
2009	658,635	-	383,400	97,354	94,694	46,917	-	-	181,986	18,051	1,481,037
M Fletcher											
2010	**296,196**	**-**	**185,050**	**-**	**24,481**	**11,697**	**-**	**-**	**95,895**	**27,226**	**640,545**
2009	274,381	-	163,600	6,301	28,319	15,327	-	1,679	47,003	18,051	554,661
A Head											
2010	**376,772**	**-**	**271,300**	**-**	**24,330**	**15,080**	**-**	**3,488**	**127,201**	**27,226**	**845,397**
2009	368,033	-	204,500	-	33,042	16,419	-	12,850	62,254	18,051	715,149
S Hogg											
2010	**134,569**	**-**	**49,500**	**-**	**11,292**	**-**	**-**	**-**	**65,449**	**21,780**	**282,590**
2009	355,355	-	170,000	-	31,900	-	-	-	19,436	14,440	591,131
T Honan[5]											
2010	**976,396**	**-**	**648,250**	**-**	**25,000**	**-**	**-**	**-**	**406,064**	**121,547**	**2,177,257**
2009	690,950	250,000	1,750,000	-	36,226	-	-	-	194,358	36,103	2,957,637
M Kulper											
2010	**1,126,355**	**-**	**725,390**	**-**	**8,729**	**52,446**	**-**	**-**	**415,367**	**34,049**	**2,362,336**
2009	1,235,047	-	630,022	-	110,949	72,102	-	-	244,528	22,575	2,315,223
E Mildwater											
2010	**410,093**	**-**	**273,750**	**-**	**24,330**	**-**	**-**	**-**	**87,458**	**27,226**	**822,857**
2009	322,142	-	217,000	-	28,911	-	-	-	24,295	18,051	610,399
Total											
2010	**6,902,285**	**-**	**6,596,840**	**65,775**	**276,693**	**110,982**	**268,637**	**33,713**	**2,838,678**	**502,198**	**17,595,801**
2009	6,865,391	250,000	6,962,822	148,381	621,324	182,876	-	123,330	1,477,727	256,517	16,888,368

Notes:

1 *The amount represents cash STI payments to the senior executive for the year ended 30 June 2010, which are paid in September 2010.*

2 *In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards awarded under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of performance awards at the date of their grant has been determined in accordance with AASB 2 applying a Black-Scholes valuation method. The assumptions underpinning these valuations are set out in Note 35 to the financial statements.*

3 *An ex-gratia payment of $268,637 was made to David Cardiff upon resignation in recognition of his contribution in the period of business transition.*

4 *Ken Daley's cash bonus includes his STI payment as per note 1 above of $471,200 as well as a payment of $800,000 as part of his service agreement as noted in section 11 below.*

5 *Tom Honan elected to receive part of his sign-on award in Transurban securities which were purchased on market.*

11 SERVICE AGREEMENTS

The remuneration and other terms of employment for the CEO and other senior executives are formalised in service agreements which have no specified term. Each of these agreements provides for access to performance-related STIs and other prescribed benefits. Although not specified in agreements, the CEO and other senior executives are eligible to participate in the LTI plan (or equivalent cash plans for those executives located outside Australia).

Some key aspects of the agreements are outlined below:

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

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

Pursuant to his service contract, a cash payment of $800,000 was made to Ken Daley. This reflects 80% achievement of the stipulated performance criteria under a performance incentive arrangement.

LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The remuneration of the CEO and other senior executives is linked to the performance of the Group through the use of incentive hurdles based on the operating performance of the business for both short and long term incentives, as noted below.

1 GROUP PERFORMANCE AND STI

25% of executive short term incentives are determined with reference to proportional EBITDA and 25% with reference to proportional net costs as discussed on page 27. This aligns the executive’s interests with the Group's financial performance

Proportional EBITDA

The underlying proportional EBITDA result for the year ended 30 June 2010 was $635.4 million, an 8.9% increase from the prior year result. The year ended 30 June 2010 result exceeded the budget by 5.4%, allowing the payment of 150.0% of STIs attributable to proportional EBITDA. The proportional EBITDA result was driven by the Group's continued focus on cost control and the performance of the asset portfolio, characterised by strong traffic volumes on all Australian assets, particularly Melbourne’s CityLink following the completion of the Southern Link Upgrade.

Proportional net costs

The underlying proportional net costs result for the year ended 30 June 2010 was $174.3 million. This represents a decrease from the year ended 30 June 2009 by 10.8%, resulting in the payment of 139.2% of STIs attributable to proportional net costs. As with proportional EBITDA, the Group's continued focus on cost management resulted in a decrease in the cost base across operational, corporate and business development costs. A number of value initiatives implemented have also contributed to the cost reductions with developments in revenue collection also contributing to overall proportional net costs through improved fee revenue.

Safety

In 2010, the safety performance measure applied to senior executives resulted in the payment of 114% of the eligible short term incentive. The hurdle included three components as discussed on page 25 of which a reduction in lost time injury frequency rates was one element. In the year ended 30 June 2010 lost time injury frequency rates decreased from 6.94 to 3.64.

2 GROUP PERFORMANCE AND LTI

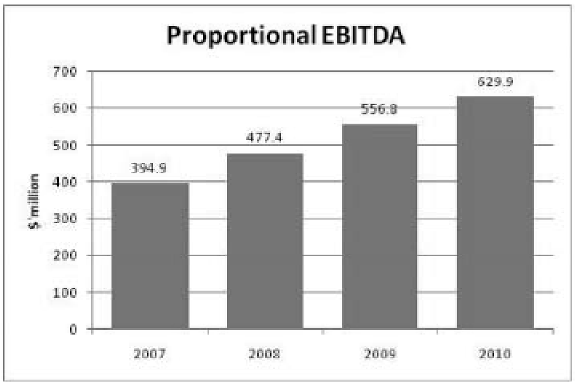
Long term incentives are linked to proportional EBITDA and relative TSR.

The performance hurdles for the current plans are outlined on page 30 - 34.

Proportional EBITDA

The performance hurdle for proportional EBITDA of between 6% and 9% compound growth is considered an appropriate target in the current economic climate and for the anticipated level of organic growth in a mature toll road portfolio. Ring fencing arrangements mean that only the existing portfolio of assets contribute to the calculation.

In general, long term incentive hurdles are based on cumulative performance in relation to proportional EBITDA over preceding years. The following graph shows the growth in proportional EBITDA since 2007. This growth is driven by increased traffic volumes and revenue collection processes and more specifically cost control that has been a focus of the Group since 2008.



1. The result for the year ended 30 June 2010 includes the M4 until 15 February 2010 when the concession deed ended.

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

Long term incentive plan	**Group Compound growth as at 30 June 2010**
Performance Rights Plan 2008	7%
Performance US Cash Rights Plan 2008	-
Performance Awards Plan 2009	9%
Performance Awards Plan 2010	12%

TSR performance

The table below summarises the relative TSR performance over the performance period to date in respect of unvested long term incentives.

Long term incentive plan	Group TSR as at 30 June 2010	Indicative percentile rank
Performance Rights Plan 2008	(26.3)%	60.7%
Performance US Cash Rights Plan 2008	(26.3)%	60.7%
Performance Awards Plan 2009	(8.7)%	22.4%
Performance Awards Plan 2010	(18.1)%	14.6%

NON-EXECUTIVE DIRECTOR REMUNERATION

1 REMUNERATION POLICY

The Group's non-executive director remuneration policy as set by the Board is summarised below:

Aggregate remuneration is approved by security holders

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 for non-executive directors of $2,100,000 per year (including the superannuation guarantee levy) was approved by security holders at the 2007 Annual General Meeting.

The Board intends to seek security holder approval at the 2010 AGM to increase the aggregate fee pool for non-executive directors. The key reasons for the proposed increase are to provide the Board with the strategic flexibility to make additional non-executive director appointments and to facilitate orderly Board succession planning.

Fees are set by reference to key considerations

The aggregate fee pool for non-executive directors and the manner in which it is apportioned amongst the non-executive directors is reviewed annually.

The Remuneration Committee undertakes this review and makes recommendations to the Board after taking into consideration a number of relevant factors including:

- the responsibilities and risks attached to the role of non-executive director;
- the time commitment expected of non-executive directors;
- the fees paid by peer companies to non-executive directors; and
- benchmark data provided by independent external advisors.

Remuneration is structured to preserve independence whilst creating alignment

The remuneration of non-executive directors consists of base (director) fees and Committee fees. To preserve independence and impartiality, no element of non-executive director remuneration is 'at risk'. In other words, it is not based on the performance of the Group.

Retirement benefits

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

Cumulatively an amount of $605,725 (2009: $565,178) has been provided as at 30 June 2010 and $40,547 (2009: $64,388) expensed in the current year. Retirement benefits of $nil (2009: $405,134) were paid out in the current year.

2 COMPONENTS OF NON-EXECUTIVE DIRECTORS REMUNERATION

Director / Committee fees*
Current base (director) fees per year are: • $455,000 for the Chairman and $170,000 for other non-executive directors. Current Committee fees* per year are set out below: • $40,000 for chair of the Audit and Risk Committee and $20,000 for members of that committee; • $25,000 for chair of the Remuneration Committee and $20,000 for members of that committee; • $25,000 for chair of the Sustainability Committee and $15,000 for members of that committee[1]; and • $10,000 for chair of the Nomination Committee and $10,000 for members of that committee. ** The Chairman does not receive any additional fees for his Committee responsibilities.* The fees as outlined above took effect on 1 January 2010 following an independent review of non-executive director and Committee fees by an external remuneration consultant. The decision to increase fees was based on the following factors: • the length of time since the last increase (October 2006 for the Chair and October 2005 for other non-executive directors); • benchmarking data from relevant comparator groups; and • alignment of fees with a revised Committee structure.
Other fees / benefits
Certain non-executive directors were entitled to retirement benefits, however, the retirement benefits plan was frozen on 30 September 2005 and no further benefits have been provided under that plan since that date. Non-executive directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during the year. 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.
Post-employment benefits*
Superannuation contributions are made on behalf of the non-executive directors at a rate of 9%, which satisfies the Group's statutory superannuation obligations.

** Director and committee fees and post-employment benefits are included in the security holder approved cap.*

1. As of 11 August 2010, the Sustainability Committee is no longer a separate committee of the Board. Sustainability is considered by the Board to be embedded in Transurban's business and business practices, and the Board has responsibility for sustainability oversight.

Under the ShareLink Investment Tax Deferred Plan, non-executive directors are able to sacrifice up to 50% of their pre-tax fees to acquire Transurban securities through a tax deferred arrangement. The plan was suspended in May 2009 due to proposed changes to tax legislation governing share plans. No offers or purchases were made under the plan during the year ended 30 June 2010. Following a review of the plan, eligible participants (including non-executive directors) have the opportunity to invest in Transurban securities up to $5,000 per annum. The offer for the year ending 30 June 2011 was made to eligible employees and non-executive directors on 1 June 2010. No non-executive directors currently participate in the plan.

The Group conducted a review of the Tax Deferred Plan following the passing of the tax legislation on 14 December 2009. The offer for the 2010/11 financial year was made to eligible employees and the non-executive directors on 1 June 2010.

3 REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of non-executive directors' remuneration for the years ended 30 June 2010 and 30 June 2009 are set out in the table below.

Non-executive director remuneration for the years ended 30 June 2010 and 30 June 2009

	Short-term employee benefits		Post-employment benefits	Total
	Fees	Superannuation contributions[1]	Retirement benefits[2]	
Current non-executive directors				
David Ryan				
2010	**401,546**	**36,139**	**-**	**437,685**
2009	385,306	34,694	-	420,000
Neil Chatfield				
2010	**167,818**	**15,104**	**-**	**182,922**
2009	51,035	4,593	-	55,628
Geoff Cosgriff				
2010	**171,880**	**15,469**	**15,210**	**202,559**
2009	165,131	14,869	14,192	194,192
Jeremy Davis				
2010	**175,084**	**22,500**	**25,338**	**222,922**
2009	158,760	24,000	23,642	206,402
Bob Edgar				
2010	**155,739**	**14,016**	**-**	**169,755**
2009	-	-	-	-
Lindsay Maxsted				
2010	**194,826**	**17,534**	**-**	**212,360**
2009	174,399	15,696	-	190,095
Rodney Slater				
2010	**125,975**	**10,932**	**-**	**136,907**
2009	4,098	-	-	4,098
Jennifer Eve				
2010	**77,315**	**-**	**-**	**77,315**
2009	47,030	-	-	47,030
James Keyes				
2010	**39,597**	**-**	**-**	**39,597**
2009	47,030	-	-	47,030
Former non-executive directors				
Susan Oliver[3]				
2010	**-**	**-**	**-**	**-**
2009	166,367	14,973	26,554	207,894
Chris Renwick				
2010	**-**	**-**	**-**	**-**
2009	119,293	56,778	-	176,071
Total				
2010	**1,509,780**	**131,694**	**40,548**	**1,682,022**
2009	1,318,449	165,603	64,388	1,548,440

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

2 *Amounts provided for by the Group during the financial year in relation to the contractual retirement benefits which the non-executive director will be entitled to upon retirement from office.*

3 *Susan Oliver retired on 22 June 2009 and received payment of $405,134 in retirement benefits.*

GLOSSARY OF TERMS

Term	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Proportional EBITDA	EBITDA calculated based on percentage of Transurban asset ownership as follows: CityLink (100%), Hills M2 (100%), Roam (100%), Tollaust (100%), M1 Eastern Distributor (75.1%), M4 (50.61%), M5 (50%), M7 (50%) and DRIVe (75% including 67.5 % of Capital Beltway Express and 75% of Pocahontas 895). The proportional EBITDA result is included in the audited financial statements.
Statutory EBITDA	100% of the EBITDA from controlled entities (CityLink, Hills M2, M1 Eastern Distributor, M4, Roam, Tollaust) regardless of Transurban's ownership. It excludes the EBITDA contribution from non-controlled interests (M5 Motorway, Westlink M7 and DRIVe).
Proportional net costs	Net costs include the operating, corporate and business development costs of the Group less non-toll revenues (fees and other).
Total employment cost (TEC)	Base salary and other benefits including superannuation paid to an executive.
Short term incentive (STI)	An 'at risk' component of executive remuneration under which a cash reward may be payable based on achievement of individual and Group performance measures.
Long term incentive (LTI)	An 'at risk' component of executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance conditions.
Relative total shareholder return (TSR)	TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income which was reinvested on a pre-tax basis. Relative TSR measures the return on investment of a company relative to a peer group of companies. Relative TSR is one of the performance measures in determining the vesting of Transurban LTI program.

Non-audit services

The Group has an "External Auditor Independence" policy which is intended to support the independence of the external auditor by regulating the provision of services by the external auditor. The external auditor will not be engaged to perform any service that may impair or be perceived to impair the external auditor's judgement or independence. The external auditor will only provide a permissible non-audit service where there is a compelling reason for it to do so, and the aim is for the external auditor not to provide non-audit services at all. All non-audit services must be pre-approved by the Chief Financial Officer (services less than $5000) or the Chair of the Audit and Risk Committee (in all other cases).

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

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

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

	30 June 2010 $	30 June 2009 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and Other Assurance Services		
- Audit and review of financial reports		
PricewaterhouseCoopers Australia	**1,022,000**	1,200,000
- Other assurance services		
PricewaterhouseCoopers Australia	**474,802**	25,792
Total audit and other assurance services	**1,496,802**	1,225,792
Other services		
Taxation services		
- Indirect taxation services		
PricewaterhouseCoopers Australia	**-**	617,063
Total taxation services	**-**	617,063
Total remuneration for PricewaterhouseCoopers	**1,496,802**	1,842,855
Amounts received or due and receivable by non-PwC audit firms for:		
Audit services		
Audit and review of financial report	**88,400**	94,380
Other services		
- Other assurance services	**296,550**	867,888
- Taxation services	**95,847**	178,950
Total remuneration for other audit firms	**480,797**	1,141,218
Total auditors remuneration	**1,977,599**	2,984,073

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

Indemnification and insurance

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 48.

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.

David J Ryan
Director

Christopher J Lynch
Director

Melbourne
12 August 2010

PRICEWATERHOUSECOOPERS

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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 2010, 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
12 August 2010

Transurban Holdings Limited ABN 86 098 143 429
Annual financial report - 30 June 2010

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

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

Level 3
505 Little Collins Street
Melbourne Victoria 3000

The financial report was authorised for issue by the directors on 12 August 2010. The Group has the power to amend and reissue the financial report.

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

Transurban Holdings Limited
Consolidated income statement
For the year ended 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Revenue			
Toll, fee and other road revenue	3	**751,107**	738,981
Construction revenue	3	**46,822**	62,193
Business development and other revenue	3	**19,240**	32,829
		817,169	834,003
Road operating costs		**(179,312)**	(182,407)
Corporate costs		**(44,742)**	(69,005)
Business development costs		**(18,830)**	(40,970)
Construction costs		**(46,822)**	(62,193)
		(289,706)	(354,575)
Profit before depreciation and amortisation, net finance costs, equity accounted investments and tax		**527,463**	479,428
Depreciation and amortisation expense	4	**(305,051)**	(340,939)
Finance income		**280,644**	298,255
Finance costs		**(456,964)**	(456,920)
Net finance costs	5	**(176,320)**	(158,665)
Share of net (losses) of equity accounted investments	9	**(20,549)**	(32,193)
Profit (loss) before income tax		**25,543**	(52,369)
Income tax benefit	6	**34,062**	36,235
Profit (loss) for the year		**59,605**	(16,134)
Profit (loss) is attributable to:			
Ordinary equity holders of the stapled group		**59,418**	(24,575)
Non-controlling interests		**187**	8,441
		59,605	(16,134)
		Cents	Cents
Earnings per security attributable to ordinary equity holders of the stapled group:			
Basic earnings per stapled security	33	**4.6**	(1.9)
Diluted earnings per stapled security	33	**4.6**	(1.9)

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

Transurban Holdings Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2010

	30 June 2010 $'000	30 June 2009 $'000
Profit/(loss) for the year	**59,605**	(16,134)
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	**22,026**	(128,907)
Exchange differences on translation of foreign operations	**(1,780)**	29,012
Other comprehensive income for the year, net of tax	**20,246**	(99,895)
Total comprehensive income for the year	**79,851**	(116,029)
Total comprehensive income for the year is attributable to:		
Owners of Transurban Holdings Limited	**133,269**	(109,947)
Non-controlling interest	**(53,418)**	(6,082)
	79,851	(116,029)

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

Transurban Holdings Limited
Consolidated balance sheet
As at 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**681,259**	199,805
Trade and other receivables	8	**205,607**	210,441
Derivative financial instruments	11	**271**	-
Total current assets		**887,137**	410,246
Non-current assets			
Equity accounted investments	9	**599,459**	664,159
Term loan notes	10	**678,044**	633,272
Derivative financial instruments	11	**79,959**	63,535
Property, plant and equipment	12	**146,053**	116,456
Deferred tax assets	13	**12,051**	7,726
Intangible assets	14	**7,678,619**	7,862,265
Total non-current assets		**9,194,185**	9,347,413
Total assets		**10,081,322**	9,757,659
LIABILITIES			
Current liabilities			
Trade and other payables	15	**202,354**	185,023
Borrowings	16	**35,604**	746,000
Derivative financial instruments	11	**2,822**	3,336
Current tax liabilities		**17,779**	61,596
Provisions	17	**293,569**	262,411
Other liabilities	18	**78,035**	149,452
Total current liabilities		**630,163**	1,407,818
Non-current liabilities			
Borrowings	16	**4,005,010**	3,296,372
Deferred tax liabilities	13	**901,462**	938,069
Provisions	17	**181,612**	139,617
Derivative financial instruments	11	**141,030**	105,221
Other liabilities	18	**45,536**	29,426
Total non-current liabilities		**5,274,650**	4,508,705
Total liabilities		**5,904,813**	5,916,523
Net assets		**4,176,509**	3,841,136
EQUITY			
Contributed equity	19	**7,656,383**	7,106,243
Reserves	20	**52,594**	12,230
(Accumulated losses)	20	**(3,836,959)**	(3,605,921)
Non-controlling interest - Transurban International Limited		**118,197**	116,479
Non-controlling interests		**186,294**	212,105
Total equity		**4,176,509**	3,841,136

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

		Attributable to members of Transurban Holdings Limited					
Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2008		**6,846,992**	**99,109**	**(3,300,393)**	**3,645,708**	**323,753**	**3,969,461**
Total comprehensive income for the year		**-**	**(85,372)**	**(24,575)**	**(109,947)**	**(6,082)**	**(116,029)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	19	8,468	-	-	8,468	1,411	9,879
Treasury securities	19	5,895	-	-	5,895	488	6,383
Distribution reinvestment plan	21	244,888	-	-	244,888	41,530	286,418
Distributions provided for or paid	20	-	-	(280,953)	(280,953)	-	(280,953)
Distributions provided for or paid to non-controlling interests in subsidiaries		-	-	-	-	(32,516)	(32,516)
Change in value of share-based payment reserve	20	-	(1,507)	-	(1,507)	-	(1,507)
		259,251	(1,507)	(280,953)	(23,209)	10,913	(12,296)
Balance at 30 June 2009		**7,106,243**	**12,230**	**(3,605,921)**	**3,512,552**	**328,584**	**3,841,136**
Balance at 1 July 2009		**7,106,243**	**12,230**	**(3,605,921)**	**3,512,552**	**328,584**	**3,841,136**
Total comprehensive income for the year		**-**	**39,741**	**93,528**	**133,269**	**(53,418)**	**79,851**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	19	482,665	-	-	482,665	47,648	530,313
Treasury securities	19	7,978	-	-	7,978	459	8,437
Distribution reinvestment plan	19	59,497	-	-	59,497	5,884	65,381
Distributions provided for or paid	20	-	-	(324,566)	(324,566)	-	(324,566)
Distributions provided for or paid to non-controlling interests in subsidiaries		-	-	-	-	(25,329)	(25,329)
Change in value of share-based payment reserve	20	-	623	-	623	663	1,286
		550,140	623	(324,566)	226,197	29,325	255,522
Balance at 30 June 2010		**7,656,383**	**52,594**	**(3,836,959)**	**3,872,018**	**304,491**	**4,176,509**

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

Transurban Holdings Limited
Consolidated cash flow statement
For the year ended 30 June 2010

	Notes	**30 June 2010 $'000**	30 June 2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**857,082**	822,172
Payments to suppliers and employees (inclusive of GST)		**(308,736)**	(346,973)
Other revenue		**19,892**	23,456
Interest received		**196,486**	212,240
Interest paid		**(347,945)**	(354,056)
Income taxes paid		**(60,997)**	(36,812)
Net cash inflow from operating activities	31	**355,782**	320,027
Cash flows from investing activities			
Payments for property, plant and equipment		**(46,829)**	(50,477)
Payments for intangible assets		**(56,059)**	(73,027)
Payments for maintenance of intangible assets		**(22,396)**	(14,024)
Payments for equity accounted investments		**(24,804)**	(32,510)
Payments for acquisition of term loan notes		**-**	(30,444)
Payments for available-for-sale financial assets		**-**	(6,063)
Payments for derivative financial instruments		**-**	(29,176)
Payment for settlement of CityLink concession notes		**(61,795)**	(148,307)
Dividends received from equity accounted investment		**36,500**	28,020
Proceeds from share buyback from equity accounted investment		**-**	17,500
Net cash (outflow) from investing activities		**(175,383)**	(338,508)
Cash flows from financing activities			
Proceeds from issues of stapled securities, net of costs		**530,929**	9,877
Proceeds from sale of treasury securities, net of costs		**4,540**	3,523
Proceeds from borrowings, net of costs		**1,177,477**	614,862
Repayment of borrowings		**(1,154,033)**	(540,600)
Loans to associates		**-**	(1,300)
Distributions paid to Group's security holders	21	**(230,451)**	(172,161)
Distributions paid to non-controlling interests		**(28,158)**	(32,871)
Net cash inflow (outflow) from financing activities		**300,304**	(118,670)
Net increase (decrease) in cash and cash equivalents		**480,703**	(137,151)
Cash and cash equivalents at beginning of year		**199,805**	336,545
Effects of exchange rate changes on cash and cash equivalents		**751**	411
Cash and cash equivalents at end of year	7	**681,259**	199,805

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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).

Financial statement presentation
The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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

(b) Principles of consolidation

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

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

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

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

(c) Segment reporting

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

Change in accounting policy
The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the CEO. There has been no impact on the measurement of the Group's assets and liabilities. Comparatives for 2009 have been restated.

(d) Foreign currency translation

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

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

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

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

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

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

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

(e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

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

(f) Income tax

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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.

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

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

(g) Leases

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

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

(h) Business combinations

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

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

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

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

Change in accounting policy
A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the Group as a result of applying the new standard.

(i) Impairment of assets

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

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

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

(j) Cash and cash equivalents

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

(k) Investments and other financial assets

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

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

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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

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

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(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. Trading derivatives are classified as a current asset or liability. The treatment of derivatives is as follows:

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

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

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

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

  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.

1 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

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

(m) Property, plant and equipment

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

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

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

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

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

(n) Intangible assets

Concession Assets
Concession Assets represent the Group's rights to operate roads under Service Concession Arrangements. Concession Assets constructed by the Group are recorded at the fair value of consideration received or receivable for the construction services delivered. Concession Assets acquired by the Group are recorded at the fair value of the assets at the date of acquisition. All Concession Assets are classified as intangible assets and are amortised over the term of the right to operate the asset on a straight line basis. For details of concession agreement dates refer to note14.

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

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

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

(o) Financial liabilities

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

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

1 Summary of significant accounting policies (continued)

(p) Borrowings

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

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

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

(q) Borrowing costs

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

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

(r) Provisions

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

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

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.

1 Summary of significant accounting policies (continued)

(s) Employee benefits

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

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

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

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

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

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

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

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

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

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.

1 Summary of significant accounting policies (continued)

(t) Contributed equity

Stapled securities are classified as equity.

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

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

(u) Parent entity financial information

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

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

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

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

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

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

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

(v) Goods and Services Tax (GST)

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

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

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

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2010)
In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group does not expect any adjustments will be necessary as a result of applying the revised rules.

AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions [AASB2] (effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. There will be no impact on the financial report of the Group as this is consistent with the Group's current accounting policy.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures.* It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other goverment-related entities and clarifies and simplifies the definition of a related party. There will be no impact on the financial report of the Group as this is consistent with the Group's current accounting policy.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. Management continue to assess the impact of AASB 9.

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

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.

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
	75.1 per cent interest in the M1 Eastern Distributor
	50.61 per cent interest in the M4 Motorway
	Equity investments in the M5 Motorway (50.0 per cent) and Westlink M7 (50.0 per cent)
USA	75.0 per cent interest in Transurban DRIVe. Transurban DRIVe holds 100.0 per cent of Pocahontas 895 and 90.0 per cent of Capital Beltway Express

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

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

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

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

2 Segment information (continued)

Segment information - Proportional Income Statement

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

The segment information provided to the Executive Committee is presented on a proportional basis. The information for the reportable segments for the year ended 30 June 2010 and 30 June 2009 is as follows:

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

	Victoria	**New South Wales Continuing Portfolio**						**USA**				**Corporate**		**Expired Concession**	**Total**
30 June 2010	**CityLink 100.0%**	Hills M2 100.0%	M1 Eastern Distributor 75.1%	M5 50.0%	M7 50.0%	Roam & Tollaust 100.0%	**Total NSW Continuing Portfolio**	Pocahontas 895 75.0%	Capital Beltway 67.5%	Other Transurban DRIVe 75.0%	**Total Transurban DRIVe**	**100.0%**	**Total Continuing Portfolio**	**M4 50.61%**	
$'000															
Toll revenue	**389,874**	141,466	61,763	81,272	87,733	-	**372,234**	11,756	-	-	**11,756**	**-**	**773,864**	**35,836**	**809,700**
Fee and other revenue	**38,563**	496	156	6,135	1,105	23,499	**31,391**	51	-	-	**51**	**(1,445)**	**68,560**	**2,046**	**70,606**
Total revenue	**428,437**	**141,962**	**61,919**	**87,407**	**88,838**	**23,499**	**403,625**	**11,807**	**-**	**-**	**11,807**	**(1,445)**	**842,424**	**37,882**	**880,306**
Underlying proportional EBITDA	**328,333**	112,743	43,837	74,743	69,503	3,783	**304,609**	4,853	-	(4,373)	**480**	**(26,499)**	**606,923**	**28,428**	**635,351**
One off items	-	-	-	-	-	-	-	-	-	-	-	**(5,409)**	**(5,409)**	-	**(5,409)**
Proportional EBITDA	**328,333**	**112,743**	**43,837**	**74,743**	**69,503**	**3,783**	**304,609**	**4,853**	**-**	**(4,373)**	**480**	**(31,908)**	**601,514**	**28,428**	**629,942**
Interest revenue	**2,753**	38,973	116,451	-	-	749	**156,173**	87	3,513	-	**3,600**	**82,245**	**244,771**	**368**	**245,139**
Interest expense	**(75,689)**	(67,608)	(122,696)	(17,091)	(117,159)	-	**(324,554)**	(20,492)	-	-	**(20,492)**	**(146,517)**	**(567,252)**	**(1,842)**	**(569,094)**
Depreciation and amortisation	**(158,330)**	(64,420)	(38,980)	(44,423)	(34,035)	(2,257)	**(184,115)**	(8,478)	-	-	**(8,478)**	**11,599**	**(339,324)**	**(20,112)**	**(359,436)**
Proportional profit (loss) before tax	**97,067**	**19,688**	**(1,388)**	**13,229**	**(81,691)**	**2,275**	**(47,887)**	**(24,030)**	**3,513**	**(4,373)**	**(24,890)**	**(84,581)**	**(60,291)**	**6,842**	**(53,449)**
Income tax benefit (expense)	**1,152**	5,296	(16,756)	(15,938)	33,070	(685)	**4,987**	8,330	-	(1,280)	**7,050**	**56,447**	**69,636**	**(2,955)**	**66,681**
Proportional net profit (loss)	**98,219**	**24,984**	**(18,144)**	**(2,709)**	**(48,621)**	**1,590**	**(42,900)**	**(15,700)**	**3,513**	**(5,653)**	**(17,840)**	**(28,134)**	**9,345**	**3,887**	**13,232**

2 Segment information (continued)

30 June 2009	Victoria	New South Wales Continuing Portfolio						USA				Corporate		Expired concession	Total
	CityLink 100.0%	Hills M2 100.0%	M1 Eastern Distributor 75.1%	M5 50.0%	M7 50.0%	Roam & Tollaust 100.0%	**Total New South Wales Continuing Portfolio**	Pocahontas 895 75.0%	Capital Beltway 67.5%	Other Transurban DRIVe 75.0%	**Total Transurban DRIVe**	**100.0%**	**Total Continuing Portfolio**	**M4 50.61%**	
$'000															
Toll revenue	**368,394**	124,874	59,149	78,482	80,116	-	**342,621**	13,902	-	-	**13,902**	-	**724,917**	**53,765**	**778,682**
Fee and other revenue	**33,830**	529	164	6,292	1,077	21,913	**29,975**	-	-	-	-	**(1,009)**	**62,796**	**2,188**	**64,984**
Total revenue	**402,224**	125,403	59,313	84,774	81,193	21,913	**372,596**	13,902	-	-	**13,902**	**(1,009)**	**787,713**	**55,953**	**843,666**
Underlying proportional EBITDA	**295,924**	93,995	41,247	71,464	63,627	1,394	**271,727**	7,313	-	(6,146)	**1,167**	**(31,925)**	**536,893**	**46,404**	**583,297**
Once off items	-	-	-	-	-	-	-	-	-	-	-	**(26,582)**	**(26,582)**	-	**(26,582)**
Proportional EBITDA	**295,924**	93,995	41,247	71,464	63,627	1,394	**271,727**	7,313	**-**	(6,146)	**1,167**	**(58,507)**	**510,311**	**46,404**	**556,715**
Interest revenue	**3,311**	71,713	106,656	-	-	1,418	**179,787**	138	-	-	**138**	**76,421**	**259,657**	**339**	**259,996**
Interest expense	**(111,457)**	(76,835)	(101,918)	(14,922)	(165,466)	-	**(359,141)**	(27,385)	-	-	**(27,385)**	**(126,584)**	**(624,567)**	**(3,204)**	**(627,771)**
Depreciation and amortisation	**(157,417)**	(64,481)	(38,461)	(44,556)	(36,737)	(3,889)	**(188,124)**	(8,612)	-	-	**(8,612)**	**(2,034)**	**(356,187)**	**(31,899)**	**(388,086)**
Foreign exchange gain	**-**	-	-	-	-	-	**-**	-	-	-	**-**	**2,830**	**2,830**	-	**2,830**
Proportional profit (loss) before tax	**30,361**	24,392	7,524	11,986	(138,576)	(1,077)	**(95,751)**	(28,546)	**-**	(6,146)	**(34,692)**	**(107,874)**	**(207,956)**	**11,640**	**(196,316)**
Income tax benefit (expense)	**10,604**	(2,825)	(11,684)	(15,482)	-	1,219	**(28,772)**	12,002	-	1,549	**13,551**	**53,325**	**48,708**	**(5,328)**	**43,380**
Proportional net profit (loss)	**40,965**	21,567	(4,160)	(3,496)	(138,576)	142	**(124,523)**	(16,544)	**-**	(4,597)	**(21,141)**	**(54,549)**	**(159,248)**	**6,312**	**(152,936)**

2 Segment information (continued)

Other segment information - Proportional income statement

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

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

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

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

Segment revenue reconciles to total statutory revenue as follows:

	30 June 2010 $'000	30 June 2009 $'000
Total segment revenue (proportional)	**880,306**	843,666
Add: Revenue of M1 attributable to non-controlling interest	**20,530**	19,666
Add: Revenue of M4 attributable to non-controlling interest	**36,969**	54,626
Less: Revenue of non-controlled assets	**(188,052)**	(179,869)
Construction revenue	**46,822**	62,193
Business development revenue	**18,447**	28,700
ConnectEast distribution	**-**	3,050
Other	**2,147**	1,971
Total statutory revenue (note 3)	**817,169**	834,003

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

Interest revenue reconciles to statutory finance income as follows:

	30 June 2010 $'000	30 June 2009 $'000
Total segment interest revenue (proportional)	**245,139**	259,996
Add: Interest revenue of M1 attributable to non-controlling interest	**38,610**	35,363
Add: Interest revenue of M4 attributable to non-controlling interest	**359**	331
Add: Foreign exchange gains	**137**	2,705
Less: Interest revenue of non-controlled assets	**(3,601)**	(140)
Total statutory finance income	**280,644**	298,255

2 Segment information (continued)

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

	30 June 2010 $'000	30 June 2009 $'000
Proportional EBITDA	**629,942**	556,715
Add: Proportional EBITDA of M1 attributable to non-controlling interest	**14,504**	13,667
Add: Proportional EBITDA of M4 attributable to non-controlling interest	**27,743**	45,304
Less: Proportional EBITDA of M5	**(74,743)**	(71,464)
Less: Proportional EBITDA of M7	**(69,503)**	(63,627)
Less: Proportional EBITDA of Pocahontas	**(4,853)**	(7,313)
Less: Proportional EBITDA of DRIVe	**4,373**	6,146
Statutory profit before depreciation and amortisation, net finance costs, equity accounted investments and tax	**527,463**	479,428
Statutory net finance costs	**(176,320)**	(158,665)
Statutory depreciation and amortisation	**(305,051)**	(340,939)
Share of associates profit/(loss)	**(20,549)**	(32,193)
Income tax benefit/(expense)	**34,062**	36,235
Profit (loss) for the year	**59,605**	(16,134)

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 2010 $'000	30 June 2009 $'000
Loss on CEU Investment	**-**	(22,382)
Onerous lease provision	**-**	(4,200)
Corporate advisory costs (relating to the change of control proposal)	**(5,409)**	-
	(5,409)	(26,582)

2 Segment information (continued)

Segment information - Segment assets

The segment information provided to the CEO and Executive Committee in respect of assets is presented on a statutory consolidated basis. The assets are allocated based on the physical location of the asset. The information for the reportable segments for the year ended 30 June 2010 and 30 June 2009 is as follows:

	Victoria	New South Wales							USA		Total
30 June 2010	**CityLink $'000**	**Hills M2 $'000**	**M1 Eastern Distributor $'000**	**M4 $'000**	**M5 $'000**	**M7 $'000**	**Roam & Tollaust $'000**	**Total New South Wales $'000**	**Transurban DRIVe $'000**	**Corporate $'000**	**$'000**
Total segment assets	**3,466,189**	2,142,367	2,142,640	16,235	428,747	678,044	45,157	**5,453,190**	**170,712**	**991,231**	**10,081,322**
Total segment assets includes:											
Investments in associates and joint venture partnerships	-	-	-	-	428,747	-	-	**428,747**	**170,712**	-	**599,459**
Additions to non-current assets (other than financial assets and deferred tax)	**91,651**	19,189	-	-	-	-	1,174	**20,363**	-	**38,993**	**151,007**

	Victoria	New South Wales							USA		Total
30 June 2009	**CityLink $'000**	**Hills M2 $'000**	**M1 Eastern Distributor $'000**	**M4 $'000**	**M5 $'000**	**M7 $'000**	**Roam & Tollaust $'000**	**Total New South Wales $'000**	**Transurban DRIVe $'000**	**Corporate $'000**	**$'000**
Total segment assets	**3,500,488**	2,203,663	2,208,939	57,912	467,956	633,272	47,622	**5,619,364**	**196,203**	**441,604**	**9,757,659**
Total segment assets includes:											
Investments in associates and joint venture partnerships	-	-	-	-	467,956	-	-	**467,956**	**196,203**	-	**664,159**
Additions to non-current assets (other than financial assets and deferred tax)	**64,055**	10,835	17	-	-	-	5,806	**16,658**	-	**40,261**	**120,974**

3 Revenue

	Notes	30 June 2010 $'000	30 June 2009 $'000
Toll revenue	(a)	**684,390**	678,263
Fee revenue	(a)	**49,967**	44,100
Other road revenue	(b)	**16,750**	16,618
Total toll, fee and other road revenue		**751,107**	738,981
Construction revenue	(c)	**46,822**	62,193
Business development revenue	(d)	**18,447**	28,700
Other revenue		**793**	4,129
Total business development and other revenue		**19,240**	32,829
		817,169	834,003

Description of revenue

(a) Toll and fee revenue

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

(b) Other road revenue

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

(c) Construction revenue

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

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

(d) Business development revenue

Business development revenue relates to the provision of development services.

4 Expenses

	30 June 2010 $'000	30 June 2009 $'000
Profit before income tax includes the following specific expenses:		
Provision for impairment of trade receivables recognised during the year	**1,216**	1,610
Rental expenses relating to operating leases	**6,119**	7,977
Employee benefit expense	**83,397**	83,880
Defined contribution superannuation expense	**4,887**	6,008
Share based payment expense	**5,159**	1,994
Losses on Connect East investment	**-**	25,433
Provision for maintenance recognised during the year	**17,758**	18,637

4 Expenses (continued)

	30 June 2010 $'000	30 June 2009 $'000
Concession fees (road operating cost) are attributable to:		
Hills M2 Motorway	**919**	1,193
M1 Eastern Distributor	**1,457**	1,003
M4 Motorway	**1,668**	2,633
	4,044	4,829
Depreciation and amortisation expense		
Road operating cost	**299,532**	327,167
Corporate cost	**5,519**	13,772
	305,051	340,939

5 Net finance costs

	30 June 2010 $'000	30 June 2009 $'000
Finance income		
Interest income on infrastructure bonds	**190,605**	208,763
Interest income on term loan notes (held to maturity investment)	**78,879**	72,862
Interest income on bank deposits	**11,023**	13,925
Foreign exchange gains	**137**	2,705
Total finance income	**280,644**	298,255
Finance costs		
Interest and finance charges paid/payable	**(247,580)**	(262,316)
Interest charges paid/payable on infrastructure bonds	**(129,378)**	(142,515)
Interest rate hedging charges paid/payable	**(67,003)**	(24,161)
Unwind of discount on liabilities	**(13,003)**	(27,928)
Total finance costs	**(456,964)**	(456,920)
Net finance costs	**(176,320)**	(158,665)

6 Income tax benefit

	30 June 2010 $'000	30 June 2009 $'000
Income tax benefit		
Current tax	**24,934**	63,737
Deferred tax	**(54,398)**	(95,646)
Over provided in prior years	**(4,598)**	(4,326)
	(34,062)	(36,235)
Deferred income tax (benefit) expense included in income tax benefit comprises:		
Increase in deferred tax assets (note 13)	**(28,672)**	(46,338)
Decrease in deferred tax liabilities (note 13)	**(25,726)**	(49,308)
	(54,398)	(95,646)
Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit (loss) before income tax benefit	**25,543**	(52,369)
Tax at the Australian tax rate of 30% (2009 - 30%)	**7,663**	(15,711)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Trust income not subject to tax	**(85,922)**	(75,551)
Accounting depreciation on non tax depreciable assets	**653**	1,798
Infrastructure bond non-deductible interest	**38,814**	42,755
Equity accounted results	**6,132**	10,363
Sundry items	**3,196**	4,437
	(29,464)	(31,909)
Under (over) provision in prior years	**(4,598)**	(4,326)
Income tax benefit	**(34,062)**	(36,235)
Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges (note 20)	**13,635**	(29,952)
	13,635	(29,952)

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 2010 $'000	30 June 2009 $'000
Cash at bank and in hand	**681,259**	199,805
	681,259	199,805

All cash balances are interest bearing.

Funds not for general use

The amount shown in Cash at Bank includes $84.8 million not available for general use at 30 June 2010 (2009: $128.2 million). This comprises amounts required to be held under maintenance and funding reserves, and prepaid tolls.

8 Current assets - Trade and other receivables

	30 June 2010 $'000	30 June 2009 $'000
Trade receivables	**32,353**	29,739
Provision for impairment of receivables	**(4,408)**	(3,972)
	27,945	25,767
Amounts due from equity accounted investments	**-**	8,822
Infrastructure bond interest receivable	**139,483**	129,969
Prepayments	**6,235**	7,429
Other receivables	**31,944**	38,454
	205,607	210,441

Provision for impaired trade and other receivables

As at 30 June 2010 current trade receivables of the Group with a nominal value of $4,408,000 (2009: $3,972,000) were considered impaired and accordingly the Group held a provision for impairment of $4,408,000 (2009: $3,972,000). As at 30 June 2010, trade receivables of $3,271,000 (2009: $3,421,000) were past due but not impaired.

The ageing of these receivables is as follows:

For the year ended 30 June 2010	**Not impaired $'000**	**Amount considered impaired $'000**	**Provision for impairment $'000**
Trade and other receivables			
Current (not past due)	24,674	1,311	1,311
less than 30 days overdue	2,601	1,099	1,099
more than 30 but less than 60 days overdue	403	1,400	1,400
more than 60 but less than 90 days overdue	77	215	215
more than 90 days overdue	190	383	383
	27,945	4,408	4,408

8 Current assets - Trade and other receivables (continued)

For the year ended 30 June 2009	Not impaired $'000	Amount considered impaired $'000	Provision for impairment $'000
Trade and other receivables			
Current (not past due)	22,346	887	887
less than 30 days overdue	2,507	1,067	1,067
more than 30 but less than 60 days overdue	596	1,221	1,221
more than 60 but less than 90 days overdue	93	202	202
more than 90 days overdue	225	595	595
	25,767	3,972	3,972

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

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

	30 June 2010 $'000	30 June 2009 $'000
At 1 July	**3,972**	3,018
Provision for impairment recognised during the year	**1,216**	1,610
Receivables written off during the year as uncollectible	**(780)**	(656)
At 30 June	**4,408**	3,972

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 they are sent to a government enforcement authority and the customers are issued an external fine. These authorities use the full extent of the law to recover the amounts and then pass on an amount collected back to the Group. This is recognised in ‘other revenue’.

9 Equity accounted investments

Name of company	Ownership interest 30 June 2010 %	Ownership interest 30 June 2009 %	Carrying amount 30 June 2010 $'000	Carrying amount 30 June 2009 $'000
Westlink M7:				
WSO Company Pty Limited	**50**	50	**-**	-
Westlink Motorway Limited	**50**	50	**-**	-
WSO Finance Pty Limited	**50**	50	**-**	-
Westlink Motorway Partnership	**50**	50	**-**	-
M5 Motorway:				
Interlink Roads Pty Ltd	**50**	50	**428,747**	467,956
Transurban DRIVe Holdings LLC	**75**	75	**170,712**	196,203
			599,459	664,159

Summarised financial information

	Ownership Interest %	Group's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit (loss) $'000
2010					
Westlink M7	50	973,418	(1,359,152)	88,838	(48,621)
Interlink Roads Pty Ltd	50	722,789	(294,041)	87,407	(2,709)
Transurban DRIVe Holdings LLC	75	2,110,104	(1,939,392)	11,807	(17,840)
		3,806,311	(3,592,585)	188,052	(69,170)
2009					
Westlink M7	50	949,641	(1,297,264)	81,193	(138,576)
Interlink Roads Pty Ltd	50	778,687	(310,731)	84,774	(3,496)
Transurban DRIVe Holdings LLC	75	2,017,520	(1,821,317)	13,902	(21,141)
		3,745,848	(3,429,312)	179,869	(163,213)

9 Equity accounted investments (continued)

	Westlink M7		M5 Motorway		DRIVe		Total	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Movements in carrying amounts								
Carrying amount 1 July	**-**	-	**467,956**	516,972	**196,203**	174,197	**664,159**	691,169
Investments in associate	**-**	7,556	**-**	-	**24,452**	24,809	**24,452**	32,365
Share of losses after tax	**-**	(7,556)	**(2,709)**	(3,496)	**(17,840)**	(21,141)	**(20,549)**	(32,193)
Dividends received	**-**	-	**(36,500)**	(28,020)	**-**	-	**(36,500)**	(28,020)
Share buy-back	**-**	-	**-**	(17,500)	**-**	-	**-**	(17,500)
Movement in exchange rate	**-**	-	**-**	-	**(11,940)**	60,776	**(11,940)**	60,776
Movement in reserves	**-**	-	**-**	-	**(20,163)**	(42,438)	**(20,163)**	(42,438)
Carrying amount at 30 June	**-**	-	**428,747**	467,956	**170,712**	196,203	**599,459**	664,159
Share of profits or losses recognised								
Profit/(loss) before tax	**-**	(7,556)	**13,229**	11,986	**(24,890)**	(34,692)	**(11,661)**	(30,262)
Income tax (expense)/benefit	**-**	-	**(15,938)**	(15,482)	**7,050**	13,551	**(8,888)**	(1,931)
	-	(7,556)	**(2,709)**	(3,496)	**(17,840)**	(21,141)	**(20,549)**	(32,193)
Share of losses not recognised								
Balance at 1 July	**286,822**	148,246	**-**	-	**-**	-	**286,822**	148,246
Unrecognised losses for the year	**48,621**	138,576	**-**	-	**-**	-	**48,621**	138,576
Balance at 30 June	**335,443**	286,822	**-**	-	**-**	-	**335,443**	286,822
Share of expenditure commitments								
Capital commitments	**-**	-	**-**	-	**780,440**	860,591	**780,440**	860,591
Operating commitments	**392,644**	402,865	**152**	-	**134,782**	154,827	**527,578**	557,692
Lease commitments	**-**	-	**-**	21	**-**	-	**-**	21
	392,644	402,865	**152**	21	**915,222**	1,015,418	**1,308,018**	1,418,304
Contingent liabilities								
Share of contingent liabilities incurred jointly with other investors	**-**	-	**-**	28	**-**	-	**-**	28
	-	-	**-**	28	**-**	-	**-**	28

Westlink M7

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

WSO Company Pty Limited is the operator of the M7.

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

WSO Finance Pty Limited is the financier of the M7.

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

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

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

9 Equity accounted investments (continued)

M5 Motorway

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

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

Transurban DRIVe Holdings LLC

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

10 Non-current assets - Term loan notes

	30 June 2010 $'000	30 June 2009 $'000
Term loan notes	**678,044**	633,272
	678,044	633,272

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

The interest rate charged on these notes is 11.93 per cent and any unpaid interest capitalises into additional notes. During the year ended 30 June 2010 the Group capitalised interest of $44.8 million (2009: $44.6 million). The TLN's are accounted for as held-to-maturity investments.

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

11 Derivative financial instruments

	30 June 2010 $'000	30 June 2009 $'000
Current assets		
Interest rate swap contracts - cash flow hedges	**271**	-
	271	-
Non-current assets		
Interest rate swap contracts - cash flow hedges	**17,484**	36,253
Cross-currency interest rate swap contracts - cash flow hedges	**62,475**	27,282
	79,959	63,535
Total derivative financial instrument assets	**80,230**	63,535
Current liabilities		
Interest rate swap contracts - cash flow hedges	**2,822**	3,336
	2,822	3,336
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**96,223**	71,545
Cross currency interest rate swap contracts - cash flow hedges	**4,416**	10,937
Forward exchange contracts - cash flow hedges	**40,391**	22,739
	141,030	105,221
Total derivative financial instrument liabilities	**143,852**	108,557

Instruments used by the Group

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

The instruments used by the Group are as follows:

- *Interest rate swap contracts - cash flow hedges*
  The Group uses interest rate swap contracts for hedging purposes to convert variable rate borrowings to fixed. Variable rate borrowings of the Group currently bear an average variable interest rate of 6.1 per cent (2009: 4.1 per cent). It is policy to protect part or all of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

  Interest rate swap contracts currently in place cover 100 per cent (2009: 91 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 7.2 per cent (2009: 6.6 per cent).

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

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

11 Derivative financial instruments (continued)

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

12 Non-current assets - Property, plant and equipment

	30 June 2010 $'000	30 June 2009 $'000
Opening balance		
Cost	**254,675**	217,095
Accumulated depreciation	**(138,219)**	(120,870)
Net book amount	**116,456**	96,225
Movement for the year		
Opening net book amount	**116,456**	96,225
Additions	**44,961**	47,947
Depreciation charge	**(15,364)**	(27,716)
Closing net book amount	**146,053**	116,456
Closing balance		
Cost	**284,285**	254,675
Accumulated depreciation	**(138,232)**	(138,219)
Net book amount	**146,053**	116,456

During the year, fully written down property, plant and equipment with a cost of $15,351,000 (2009: $10,367,000) were disposed of.

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

13 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
The balance comprises temporary differences attributable to:						
Accrued expenses	**2,200**	1,579	**-**	-	**2,200**	1,579
Provisions	**75,819**	74,738	**-**	-	**75,819**	74,738
Current and prior year losses	**400,440**	363,381	**-**	-	**400,440**	363,381
Investments	**-**	15,698	**-**	-	**-**	15,698
Unearned income	**15,236**	10,721	**-**	-	**15,236**	10,721
Fixed Assets/Intangibles	**3,464**	5,655	**(1,004,716)**	(1,035,643)	**(1,001,252)**	(1,029,988)
Interest receivable	**-**	-	**(44,506)**	(43,257)	**(44,506)**	(43,257)
Unrealised gain	**14,299**	6,805	**(11,501)**	(312)	**2,798**	6,493
Prepayments	**-**	-	**-**	(5,705)	**-**	(5,705)
Concession fees and promissory notes	**-**	-	**(318,335)**	(318,914)	**(318,335)**	(318,914)
Cash flow hedges	**39,278**	29,111	**(63,947)**	(40,145)	**(24,669)**	(11,034)
Other	**2,895**	6,983	**(37)**	(1,038)	**2,858**	5,945
Tax assets/(liabilities)	**553,631**	514,671	**(1,443,042)**	(1,445,014)	**(889,411)**	(930,343)
Set off of tax	**(541,580)**	(506,945)	**541,580**	506,945	**-**	-
Net tax assets/(liabilities)	**12,051**	7,726	**(901,462)**	(938,069)	**(889,411)**	(930,343)
Movements:						
Opening balance at 1 July	**514,671**	505,738	**(1,445,014)**	(1,562,994)	**(930,343)**	(1,057,256)
Credited/(charged) to the income statement	**28,672**	46,338	**25,726**	49,308	**54,398**	95,646
Credited/(charged) to equity	**11,064**	(45,204)	**(23,801)**	75,156	**(12,737)**	29,952
Tax losses utilised	**(611)**	(419)	**-**	-	**(611)**	(419)
Foreign exchange movements	**(189)**	2,608	**71**	(874)	**(118)**	1,734
Transfer from deferred tax assets/liabilities	**24**	5,610	**(24)**	(5,610)	**-**	-
Closing balance at 30 June	**553,631**	514,671	**(1,443,042)**	(1,445,014)	**(889,411)**	(930,343)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**553,631**	514,671	**(1,443,042)**	(1,445,014)	**(889,411)**	(930,343)
	553,631	514,671	**(1,443,042)**	(1,445,014)	**(889,411)**	(930,343)

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.

14 Non-current assets - Intangible assets

	Goodwill $'000	CityLink $'000	Hills M2 Motorway $'000	M1 Eastern Distributor $'000	M4 Motorway $'000	Assets under construction $'000	Total $'000
At 1 July 2008							
Cost	260,288	4,439,019	2,517,866	2,153,780	178,788	52,565	9,602,306
Accumulated amortisation	-	(1,031,771)	(323,398)	(68,211)	(76,465)	-	(1,499,845)
Net book amount	260,288	3,407,248	2,194,468	2,085,569	102,323	52,565	8,102,461
Year ended 30 June 2009							
Opening net book amount	260,288	3,407,248	2,194,468	2,085,569	102,323	52,565	8,102,461
Additions	-	-	-	-	-	73,027	73,027
Amortisation charge	-	(135,744)	(64,737)	(51,341)	(61,401)	-	(313,223)
Closing net book amount	260,288	3,271,504	2,129,731	2,034,228	40,922	125,592	7,862,265
At 30 June 2009							
Cost	260,288	4,439,019	2,517,866	2,153,780	178,788	125,592	9,675,333
Accumulated amortisation	-	(1,167,515)	(388,135)	(119,552)	(137,866)	-	(1,813,068)
Net book amount	260,288	3,271,504	2,129,731	2,034,228	40,922	125,592	7,862,265
Year ended 30 June 2010							
Opening net book amount	260,288	3,271,504	2,129,731	2,034,228	40,922	125,592	7,862,265
Additions	-	49,982	-	-	-	56,059	106,041
Amortisation charge	-	(134,488)	(64,701)	(52,050)	(38,448)	-	(289,687)
Closing net book amount	260,288	3,186,998	2,065,030	1,982,178	2,474	181,651	7,678,619
At 30 June 2010							
Cost	260,288	4,489,001	2,517,866	2,153,780	178,788	181,651	9,781,374
Accumulated amortisation	-	(1,302,003)	(452,836)	(171,602)	(176,314)	-	(2,102,755)
Net book amount	260,288	3,186,998	2,065,030	1,982,178	2,474	181,651	7,678,619

Description of intangible assets

Goodwill

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

Concession assets

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

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

14 Non-current assets - Intangible assets (continued)

Hills M2 concession asset
Transurban has the right to toll the Hills M2 Motorway until 2042. 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%, 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% 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.

Assets under construction
The Group is currently undertaking an upgrade of CityLink, scheduled for completion in 2010; and development on the Hills M2 Motorway. These will be transferred to the respective intangible assets upon completion.

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 note1(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 of 8.8 per cent (2009: 8.8 per cent), representing the implied discount rate applicable to the risk profile of the Group's assets, to discount the forecast future attributable cash flows. In determining future cash flows, the Group has also applied rates of growth to underlying operating assumptions to reflect the expected performance of the assets beyond the budget period in accordance with the respective concessions. The operating costs have been escalated in line with a combination of Consumer Price Index (CPI) and Average Weekly Earnings (AWE) forecasts. A long term CPI rate of 2.5 per cent (2009: 2.5 per cent) and AWE of 4.0 per cent (2009: 4.0 per cent) have been used.

15 Current liabilities - Trade and other payables

	30 June 2010 $'000	30 June 2009 $'000
Trade payables and accruals	**99,834**	90,795
Infrastructure bond interest payable	**102,520**	94,228
	202,354	185,023

16 Borrowings

	Notes	**30 June 2010 $'000**	30 June 2009 $'000
Current			
Infrastructure facilities	(a)	**-**	537,551
Less: Infrastructure facility cash reserve	(a)	**-**	(537,551)
Working capital facilities	(b)	**35,604**	80,000
Secured loan - Statewide Roads		**-**	500
Term debt	(c)	**-**	515,500
Capital Markets Debt	(d)	**-**	150,000
		35,604	746,000
Non-current			
Infrastructure Facilities	(a)	**1,187,777**	1,091,707
Less: Infrastructure facility cash reserve	(a)	**(1,187,777)**	(1,091,707)
Working capital facilities	(b)	**-**	14,821
Term debt	(c)	**964,507**	457,739
Capital Markets Debt	(d)	**1,136,627**	887,080
U.S. Private Placement	(e)	**1,306,161**	1,338,102
Syndicated facility	(f)	**597,715**	598,630
		4,005,010	3,296,372
Total borrowings		**4,040,614**	4,042,372

Description of borrowings - Financing arrangements and credit facilities

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

(a) Infrastructure facilities

M1 Airport Motorway
$1,187.8 million (2009: $1,091.7 million) facility certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The bonds are secured by an infrastructure facility cash reserve equal to the amount of the loan which is set off against the loan facility, the principal of the refinancing bonds will be repaid from the infrastructure facility cash reserve on August 2011. The facility was fully drawn down at 30 June 2010.

Hills M2 Motorway
The Hills M2 infrastructure facility matured during the year.

(b) Working capital facilities

The Group has the following facilities in place:

- $320.0 million facility which is for a term of 3 years, maturing February 2011. At 30 June 2010, $35.6 million of the facility was drawn-down in cash. Additionally, $13.4 million had been utilised in letters of credit.
- $130.0 million facility which is for a term of 3 years, maturing June 2013. At 30 June 2010, the facility was un-drawn.
- $100.0 million facility which is for a term of 3 years, maturing April 2013. At 30 June 2010, the facility was un-drawn.

These facilities are secured by a first ranking charge over the cash flows of the Transurban Group.

16 Borrowings (continued)

(c) Term debt

The term debt facilities are comprised of a $515.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust) and a $465.0 million facility entered into by Hills Motorway Management Limited (as trustee for Hills Motorway Trust). The facilities have deferred borrowing costs of $9.6 million and $5.9 million respectively.

The Airport Motorway facility was refinanced in July 2009 and is fully secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets. The facility is a non-recourse syndicated facility with terms of three years ($195.0 million), five years ($260.0 million) and seven years ($60.0 million). The current floating interest rate applicable to the facility is 7.6 per cent (2009: 4.0 per cent). These facilities are fully hedged to an all-in rate after hedging of 8.4 per cent.

The Hills M2 facility is a non-recourse syndicated facility with terms of three years ($290.5 million) and five years ($174.5 million). The current floating interest rate applicable to the facility is 7.3 per cent (2009: 5.9 per cent). These facilities are fully hedged to an all-in rate after hedging of 7.8 per cent.

(d) 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 million) and 12 years ($300 million) with floating interest payable at 5.2 per cent at 30 June 2010. These facilities are fully hedged with all-in-rates of 6.0 and 5.8 per cent respectively.
- $200.0 million non-credit wrapped fixed rate bonds raised in September 2006 with a term of 5 years. Interest is payable at 6.5 per cent.
- $100.0 million non-credit wrapped floating rate bonds raised in September 2006 with a term of 5 years. Floating interest is payable at 5.4 per cent at 30 June 2010. This facility is fully hedged with an all-in-rate after hedging of 4.4 per cent.
- $250.0 million non-credit wrapped fixed rate bonds raised in March 2010 with a term of 4 years. Interest is payable at 7.3 per cent.

The facilitites have deferred borrowing costs of $13.4 million. These facilities are secured by first ranking charge over the cash flows of the Group.

(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	117,330	Dec 2014
Dec 04 - Tranche B	5.17%	38,900	45,641	Dec 2016
Dec 04 - Tranche C	5.47%	108,600	127,420	Dec 2019
Aug 05 - Tranche A	5.04%	98,000	114,983	Aug 2015
Aug 05 - Tranche B	5.19%	125,500	147,249	Aug 2017
Aug 05 - Tranche C	5.35%	156,500	183,621	Aug 2020
Nov 06 - Tranche A	5.71%	52,366	61,440	Nov 2016
Nov 06 - Tranche B	5.86%	166,469	195,317	Nov 2018
Nov 06 - Tranche C	5.95%	148,562	174,307	Nov 2021
Nov 06 - Tranche D	6.06%	61,619	72,297	Nov 2026
		1,056,516	1,239,605	
Floating Interest Rate				
Dec 04 - Tranche D	5.71%		72,000	Dec 2019
			72,000	
Total US Private Placement			1,311,605	
Deferred borrowing costs			(5,444)	
Total			1,306,161	

16 Borrowings (continued)

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

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

As at 30 June 2010, the Group has deferred $16.8 million in gains (2009: $8.0 million).

(f) Syndicated facility

This facility comprises syndicated bank debt issued by Transurban Finance Company Pty Limited, with terms of five years ($375.0 million), seven years ($100.0 million) and ten years ($125.0 million) with applicable interest rates ranging between 5.1 and 5.3 per cent. This facility is fully hedged with all-in rates after hedging ranging from 7.2 to 7.3 per cent.

The facility has deferred borrowing costs of $2.3 million. This facility is secured by a first ranking charge over the cash flows of the Group.

Letters of credit

The Group has provided a $20 million letter of credit as a requirement of the CityLink Concession Deed. The letter of credit is currently undrawn and therefore no liability has been recorded.

Set-off of assets and liabilities

A legal right of set-off exists in respect of the specific cash deposit of $1,187.7 million (2009: $1,621.3 million) representing collateralisation of the M1 Airport Motorway Infrastructure Facility and the Hills M2 Infrastructure Facility (prior year).

Covenants

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

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

In addition, the Group has a market capitalisation based clause where gearing must not exceed 60%. Based on the balance sheet as at 30 June 2010, the Group's security price would need to close below $1.88 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

17 Provisions

	Notes	**30 June 2010 $'000**	30 June 2009 $'000
Current			
Employee benefits	(a)	**25,185**	20,542
Restructuring and onerous lease provision	(b)	**2,876**	4,584
Distribution to security holders	(c)	**169,818**	141,153
Distributions to non-controlling interests in subsidiaries	(c)	**27,662**	30,493
Maintenance provision	(d)	**68,028**	65,639
		293,569	262,411
Non-current			
Employee benefits	(a)	**1,645**	1,764
Maintenance provision	(d)	**129,980**	137,853
Provision for contingent consideration	(e)	**49,987**	-
		181,612	139,617
Total provisions		**475,181**	402,028

Movements in provisions

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

	Current				**Non-current**	
	Restructuring and onerous lease provision $'000	**Distribution to security holders $'000**	**Distributions to non-controlling interests in subsidiaries $'000**	**Current maintenance provision $'000**	**Non-current maintenance provision $'000**	**Provision for contingent consideration $'000**
Consolidated - 2010						
Balance at 1 July	4,584	141,153	30,493	65,639	137,853	-
Provision recognised	-	324,566	11,613	17,758	-	49,987
Amount paid/utilised during the year	(1,581)	(295,901)	(14,444)	(22,396)		
Transfer (to)/from current/non-current	-	-	-	7,027	(7,027)	-
Movements in foreign exchange rates	(127)	-	-	-	-	-
Unwinding of discount	-	-	-	-	(846)	-
Long term incentive loan repayment	-	-	-	-	-	-
Balance at 30 June	2,876	169,818	27,662	68,028	129,980	49,987

Description of provisions

(a) Employee benefits

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

(b) Restructuring and onerous lease provision

A restructuring provision is recognised when the main features of the restructuring are planned and there is a demonstrable commitment and valid expectation that the restructuring plan will be implemented.

(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.

17 Provisions (continued)

(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 revenue resulting from the upgrade once all 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 the increased revenue (net of capital cost) expected to be collected as a result of the upgrade. Actual toll revenue for the period to the end of 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 2010 $'000**	30 June 2009 $'000
Current			
Prepaid tolls	(a)	**56,393**	53,462
Unearned income	(b)	**21,063**	20,815
Payable for settlement of CityLink concession notes	(c)	**-**	61,795
Amounts payable to associates		**-**	12,800
Other		**579**	580
		78,035	149,452
Non-current			
Concession and promissory notes	(d)	**41,846**	25,190
Lease incentive		**3,146**	3,726
Other		**544**	510
		45,536	29,426
Total other liabilities		**123,571**	178,878

Description of other liabilities

(a) Prepaid tolls

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

(b) Unearned income

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

(c) Payable for settlement of CityLink concession notes

Transurban reached an agreement with the State of Victoria and Vic Roads to jointly fund upgrades and improvements to 75 kilometres of the West Gate - CityLink (Southern Link) - Monash Freeway corridor. To fund the upgrade Transurban agreed to pay the State $614.3 million over three years in satisfaction of its current and future obligations to repay concession notes issued to the State.

The agreement effectively represents the termination of any future obligation to the State of Victoria by the Group by assigning the right to receive future concession payments made by CityLink Melbourne to Transurban Holding Trust. On a Group basis, the impact of concession notes on the balance sheet and income statement is nil, as the Group has a right of offset.

18 Other liabilities (continued)

(d) Concession and promissory notes

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

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

The face value of Concession Notes on issue at 30 June 2010 is $195.0 million (2009: $180.0 million). The net present value at 30 June 2010 of the redemption payments relating to these Concession Notes is $25.2 million (2009: $14.6 million).

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

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

The face value of Promissory Notes on issue at 30 June 2010 is $116.2 million (2009: $106.2 million). The net present value at 30 June 2010 of the redemption payments relating to these Promissory Notes is $16.6 million (2009: $10.6 million).

19 Contributed equity

	30 June 2010 $'000	30 June 2009 $'000
Share capital		
Fully paid stapled securities	**7,656,383**	7,106,243
	7,656,383	7,106,243
	Number '000	Number '000
Fully paid stapled securities	**1,414,295**	1,281,363
	1,414,295	1,281,363

Stapled securities

The number of stapled securities on issue is 1,414,667,986 (2009: 1,282,682,606). The difference of 373,804 (2009: 1,319,606) relates to treasury securities.

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

19 Contributed equity (continued)

Capital risk management

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

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

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

Movements in ordinary share capital:

	Notes	Number of securities '000	Consolidated $'000
Opening balance at 1 July 2008		**1,218,263**	**6,846,992**
Distribution reinvestment plan	(a)	60,591	286,418
Purchase, disposal and vesting of treasury securities	(b)	679	6,383
Share purchase plan, net of transaction costs	(c)	1,830	9,879
Less: Amounts attributable to Transurban International Limited	(d)	-	(43,429)
Closing balance at 30 June 2009		**1,281,363**	**7,106,243**
Opening balance at 1 July 2009		**1,281,363**	**7,106,243**
Distribution reinvestment plan	(a)	14,069	65,381
Purchase, disposal and vesting of treasury securities	(b)	946	8,437
Equity placement, net of transaction costs	(e)	117,917	530,313
Less: Amounts attributable to Transurban International Limited	(d)	-	(53,991)
Closing balance at 30 June 2010		**1,414,295**	**7,656,383**

(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. Securities are to be issued under the plan at 2.5 per cent discount to market price for the 30 June 2010 distribution.

(b) Treasury securities

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

(c) Share purchase plan

In the prior year, Transurban raised $10.0 million via a share purchase plan, issuing 1.8 million stapled securities to eligible security holders.

(d) Non-controlling interest - Transurban International Limited

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

(e) Equity placement

Transurban raised $542.4 million, less costs, via an equity raising, issuing 117.9 million stapled securities.

20 Reserves and accumulated losses

	30 June 2010 $'000	30 June 2009 $'000
Reserves		
Cash flow hedges	**63,602**	20,744
Share-based payments	**6,128**	5,505
Foreign currency translation	**(12,009)**	(8,892)
Transactions with non-controlling interests	**(5,127)**	(5,127)
	52,594	12,230

Movements:

	30 June 2010 $'000	30 June 2009 $'000
Cash flow hedges		
Balance 1 July	**20,744**	105,726
Revaluation - gross	**38,704**	(125,385)
Deferred tax (note 13)	**(13,635)**	29,952
Transfer to net profit	**17,120**	8,964
Amount attributable to non-controlling interest	**669**	1,487
Movement in associate's reserve	**(20,163)**	(42,438)
Movement in associate's reserve attributable to non-controlling interest	**20,163**	42,438
Balance 30 June	**63,602**	20,744
Share-based payments		
Balance 1 July	**5,505**	7,012
Employee share plan expense	**3,949**	1,854
Employee distribution	**-**	(70)
Transfer to equity (vested loan)	**(3,326)**	(3,291)
Balance 30 June	**6,128**	5,505
Foreign currency translation		
Balance 1 July	**(8,892)**	(8,502)
Currency translation differences arising during the year	**(1,781)**	29,012
Currency translation differences arising during the year attributable to non-controlling interest	**(1,336)**	(29,402)
Balance 30 June	**(12,009)**	(8,892)
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 2010 $'000	30 June 2009 $'000
Balance at 1 July	**(3,605,921)**	(3,300,393)
Profit (loss) attributable to ordinary equity holders of the stapled group	**59,418**	(24,575)
Distributions to ordinary equity holders	**(324,566)**	(280,953)
Transfer of loss attributable to non-controlling interest - Transurban International Limited	**34,110**	-
Balance 30 June	**(3,836,959)**	(3,605,921)

20 Reserves and accumulated losses (continued)

Nature and purpose of reserves

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

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

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

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

21 Distributions

	30 June 2010 $'000	30 June 2009 $'000
Distributions proposed		
Final distribution payable and recognised as a liability:		
12.0 cents (2009: 11.0 cents) per fully paid stapled security payable 27 August 2010	**169,760**	141,095
	169,760	141,095
Distributions paid during the year		
Final distribution for 2009 financial year of 11.0 cents (2008: 29.0 cents) per fully paid Stapled Security paid 28 August 2009	**141,095**	319,076
Interim distribution for 2010 financial year of 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security paid 26 February 2010	**154,806**	140,041
	295,901	459,117
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2010 and 30 June 2009		
Paid in cash	**230,451**	172,161
Executive loans - repayments	**65**	551
Satisfied by issue of Stapled Securities	**65,381**	286,418
Funds available (from)/for future distribution reinvestment plans	**4**	(13)
	295,901	459,117
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)	**216,076**	143,892

22 Remuneration of auditors

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

	30 June 2010 $	30 June 2009 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and Other Assurance Services		
- Audit and review of financial reports		
PricewaterhouseCoopers Australia	**1,022,000**	1,200,000
- Other assurance services		
PricewaterhouseCoopers Australia	**474,802**	25,792
Total audit and other assurance services	**1,496,802**	1,225,792
Taxation services		
PricewaterhouseCoopers Australia		
- Indirect taxation services	**-**	617,063
Total taxation services	**-**	617,063
Total remuneration for PricewaterhouseCoopers	**1,496,802**	1,842,855
Amounts received or due and receivable by non-PwC audit firms for:		
Audit services		
Audit and review of financial report	**88,400**	94,380
Other services		
- Other assurance services	**296,550**	867,888
- Taxation services	**95,847**	178,950
Total remuneration for non-PwC audit firms	**480,797**	1,141,218
Total auditors remuneration	**1,977,599**	2,984,073

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

23 Contingencies

Contingent liabilities

The Group and parent entity had contingent liabilities at 30 June 2010 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 take five years and the tolling concession will operate for 75 years.

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

The Transurban Group owns 75% of the equity of DRIVe and recognises this investment in the consolidated financial statements using the equity method of accounting. DRIVe holds 90% of the equity in Capital Beltway Express and, from time to time, is required to make equity contributions to Capital Beltway Express to fund the equity component of the Capital Beltway project costs. The total equity contribution DRIVe is obliged to make to Capital Beltway Express is US$313,825,757, of which US$133,064,838 had been paid at balance sheet date.

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

Contingent assets

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

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

24 Intra-group Guarantees

As at 30 June 2010, 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 2010 $'000	30 June 2009 $'000
Property, plant and equipment payable:"		
Within one year	**5,490**	7,801
Later than one year but not later than five years	**-**	52
Later than five years	**-**	4
	5,490	7,857
Operating commitments payable:		
Within one year	**41,977**	34,657
Later than one year but not later than five years	**70,093**	74,025
Later than five years	**307,011**	317,156
	419,081	425,838
Intangible assets		
Within one year	**35,000**	29,350
Later than one year but not later than five years	**13,600**	-
	48,600	29,350

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**4,506**	3,862
Later than one year but not later than five years	**15,869**	16,449
Later than five years	**5,232**	8,910
	25,607	29,221
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**1,592**	1,947
	1,592	1,947

Promissory Notes

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

Concession Notes

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

Other operating leases

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

26 Related party transactions

Transactions with associates

The following transactions occurred with related parties:

	30 June 2010 $	30 June 2009 $
Revenue from services		
Operating electronic tolling system for Westlink	**6,477,365**	7,815,312
Business development fees	**18,446,959**	28,699,549
Consulting fees on refinancing	**750,000**	-
	25,674,324	36,514,861
Interest earned		
Term Loan Notes	**78,879,621**	72,862,036

Loans to/from associates

	30 June 2010 $	30 June 2009 $
Term loan notes		
Beginning of the year	**633,272,067**	558,223,463
Net interest capitalised	**44,772,100**	44,604,379
Acquisition of additional interest in Westlink M7	**-**	30,444,225
	678,044,167	633,272,067
Loans to Transurban DRIVe Holdings LLC		
Beginning of the year	**10,968,696**	28,946,510
Loans advanced	**-**	5,583,207
Foreign exchange movements	**(221,202)**	6,156,549
Loans repaid	**(10,747,494)**	(29,717,570)
	-	10,968,696
Loans from Transurban DRIVe Holdings LLC		
Beginning of the year	**(12,799,885)**	(30,037,362)
Loans advanced	**-**	(207,893)
Foreign exchange movements	**221,202**	(6,156,549)
Loans repaid	**12,578,683**	23,601,919
	-	(12,799,885)

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

Transactions with director related parties

Refer to note 36 for director related party transactions.

Term loan notes

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

26 Related party transactions (continued)

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

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

27 Subsidiaries

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

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding 2010 %**	**Equity holding 2009 %**
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

27 Subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding 2010 %	2009 %
T (895) Finance Trust	Australia	Ordinary	**100**	100
Transurban International Holdings Limited	Bermuda	Ordinary	**100**	100
Transurban DRIVe Management LLC	USA	Ordinary	**100**	100
Sydney Roads Limited	Australia	Ordinary	**100**	100
Sydney Roads Trust	Australia	Ordinary	**100**	100
Sydney Roads Management Limited	Australia	Ordinary	**100**	100
Eastern Distributor Funding Trust	Australia	Ordinary	**-**	100
Airport Motorway Trust	Australia	Ordinary	**75.10**	75.10
Airport Motorway Holdings Pty Limited	Australia	Ordinary	**75.10**	75.10
Airport Motorway Limited	Australia	Ordinary	**75.10**	75.10
Airport Motorway Construction Company Pty Limited	Australia	Ordinary	**75.10**	75.10
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**	-
LCT-MRE Nominees Pty Limited **	Australia	Ordinary	**100**	-
LCT-MRE Trust **	Australia	Ordinary	**100**	-

** Incorporated on 7 May 2010

28 Parent entity financial information

Summary financial information

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

	30 June 2010 $'000	30 June 2009 $'000
Balance sheet		
Current assets	**700,802**	266,811
Non-current assets	**1,971,408**	2,012,820
Total assets	**2,672,210**	2,279,631
Current liabilities	**469,836**	219,161
Non-current liabilities	**1,511,820**	1,473,241
Total liabilities	**1,981,656**	1,692,402
Shareholders' equity		
Contributed equity	**552,883**	413,878
Reserves	**2,775**	1,017
Retained earnings	**134,896**	172,334
	690,554	587,229
Loss for the year	**(37,438)**	(63,968)
Total comprehensive income	**(37,438)**	(63,968)

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

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the years ended 30 June 2010 and 30 June 2009 for the parties to the deed of cross guarantee.

	30 June 2010 $'000	30 June 2009 $'000
Income statement		
Revenue	**141,081**	123,663
Operating costs	**(102,462)**	(115,436)
Depreciation and amortisation expense	**(7,482)**	(14,330)
Net finance costs	**(68,845)**	(79,066)
Loss before income tax	**(37,708)**	(85,169)
Income tax benefit	**34,506**	51,852
Loss for the year	**(3,202)**	(33,317)
Statement of comprehensive income		
Loss for the year	**(3,202)**	(33,317)
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive income for the year	**(3,202)**	(33,317)
Summary of movements in consolidated retained earnings		
(Accumulated losses) at the beginning of the financial year	**(202,280)**	(168,963)
(Loss) for the year	**(3,202)**	(33,317)
(Accumulated losses) at the end of the financial year	**(205,482)**	(202,280)

29 Deed of cross guarantee (continued)

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2010 and 30 June 2009 for the parties to the deed of cross guarantee.

	30 June 2010 $'000	30 June 2009 $'000
Current assets		
Cash and cash equivalents	**516,255**	36,971
Trade and other receivables	**359,317**	378,017
Total current assets	**875,572**	414,988
Non-current assets		
Other financial assets	**1,286,015**	1,286,015
Property, plant and equipment	**129,178**	96,416
Deferred tax assets	**410,187**	375,432
Total non-current assets	**1,825,380**	1,757,863
Total assets	**2,700,952**	2,172,851
Current liabilities		
Trade and other payables	**1,600,650**	1,176,558
Provisions	**15,578**	14,282
Total current liabilities	**1,616,228**	1,190,840
Non-current liabilities		
Payables	**597,620**	618,439
Deferred tax liabilities	**134,700**	149,533
Provisions	**2,228**	1,424
Total non-current liabilities	**734,548**	769,396
Total liabilities	**2,350,776**	1,960,236
Net assets	**350,176**	212,615
Equity		
Contributed equity	**552,883**	413,878
Reserves	**2,775**	1,017
Retained profits	**(205,482)**	(202,280)
Total equity	**350,176**	212,615

30 Events occurring after the balance sheet date

Subsequent to the end of the financial year, the Group has completed the acquisition of the assets and motorway concession deed connected with the Lane Cove Tunnel in Sydney. The Group took control of the assets and concession deed on 10 August 2010. The acquisition was funded through cash on hand from a capital raising in May 2010 and external borrowings.

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

	30 June 2010 $'000	30 June 2009 $'000
Profit (loss) for the year	**59,605**	(16,134)
Depreciation and amortisation	**305,051**	340,939
Non-cash share-based payments expense	**5,159**	1,994
Non-cash finance costs	**55,981**	77,781
Share of net profits/(losses) of equity accounted investments	**20,549**	32,193
Maintenance provision	**17,758**	18,637
Fair value losses on derivatives/available for sale securities	**-**	25,433
Change in operating assets and liabilities		
Increase (decrease) in concession and promissory note liability	**16,656**	(4,402)
Increase (decrease) in creditors	**7,130**	(43,061)
Decrease in debtors	**8,232**	8,331
(Increase) in term loan notes	**(44,772)**	(44,648)
Increase (decrease) in operating provisions	**2,817**	(6,598)
Movement in current tax liabilities and deferred taxes	**(98,384)**	(70,438)
Net cash inflow from operating activities	**355,782**	320,027

32 Non-cash investing and financing activities

	30 June 2010 $'000	30 June 2009 $'000
Distributions satisfied by the issue of stapled securities under the distribution reinvestment plan	**65,381**	286,414
	65,381	286,414

33 Earnings per stapled security

	30 June 2010 Cents	30 June 2009 Cents
Basic earnings per security		
Earnings per security attributable to the ordinary equity holders of the stapled group	**4.6**	(1.9)
	4.6	(1.9)
Diluted earnings per security		
Earnings per security attributable to the ordinary equity holders of the stapled group	**4.6**	(1.9)
	4.6	(1.9)

33 Earnings per stapled security (continued)

Reconciliations of earnings used in calculating earnings per security

	30 June 2010 $'000	30 June 2009 $'000
Basic and diluted earnings per security		
Profit (loss) for the year	**59,605**	(16,134)
Profit attributable to non-controlling interests	**(187)**	(8,441)
Profit (loss) attributable to ordinary equity holders of the stapled group in calculating earnings per security	**59,418**	(24,575)

Weighted average number of securities used as the denominator

	30 June 2010 Number	30 June 2009 Number
Weighted average number of securities used as the denominator in calculating basic earnings per security	**1,301,035,941**	1,267,502,187
Adjustments for calculation of diluted earnings per security:		
Performance rights	**2,750,885**	1,297,389
Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating diluted earnings per security	**1,303,786,826**	1,268,799,576

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 2010 $'000	30 June 2009 $'000
Net tangible asset backing per stapled security *	**2.77**	2.79

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

35 Share-based payments

2009 and 2010 Performance Awards Plan

The Performance Awards Plan (PAP) is a modified version of the 2008 Performance Rights Plan (PRP) discussed below. Under the PAP, eligible executives receive a grant of Performance Awards which entitles participants to receive securities at no cost subject to the achievement of performance conditions. The Board has discretion as to the form of the award at the end of the performance period and may grant cash payments of equivalent value at vesting. No dividends or distributions on securities are payable to participants prior to vesting.

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

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

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	EBIDTA	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010								
1 Nov 2008	1 Nov 2011	3.30	4.27	1,314,288	-	-	(36,658)	1,277,630
11 Dec 2009	11 Dec 2012	3.33	4.97	-	1,990,913	-	-	1,990,913
Total				1,314,288	1,990,913	-	(36,658)	3,268,543
Weighted average exercise price				$3.79	$4.15	$-	$3.79	$4.01

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	EBIDTA	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
2009								
1 Nov 2008	1 Nov 2011	3.30	4.27	-	1,345,370	-	(31,082)	1,314,288
Total				-	1,345,370	-	(31,082)	1,314,288
Weighted average exercise price				$-	$3.79	$-	$3.79	$3.79

35 Share-based payments (continued)

2009 Executive Equity Plan

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

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

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

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

Grant Date	Expiry date	Fair value at grant date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2008	1 Nov 2011	$4.27	611,692	-	(2,953)	(60,089)	548,650
Total			611,692	-	(2,953)	(60,089)	548,650
Weighted average exercise price			$4.27	$-	$4.26	$4.13	$4.27

Grant Date	Expiry date	Fair value at grant date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2008	1 Nov 2011	$4.27	-	632,886	(722)	(20,472)	611,692
Total			-	632,886	(722)	(20,472)	611,692
Weighted average exercise price			$-	$4.27	$4.27	$4.27	$4.27

35 Share-based payments (continued)

2008 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.

Australian based plan

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	EBIDTA	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2007	1 Nov 2010	3.50	5.96	345,854	-	(14,260)	331,594
Total				345,854	-	(14,260)	331,594
Weighted average exercise price				$4.73	$-	$4.73	$4.73

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	EBIDTA	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2007	1 Nov 2010	3.50	5.96	654,610	-	(308,756)	345,854
Total				654,610	-	(308,756)	345,854
Weighted average exercise price				$4.73	$-	$4.73	$4.73

Overseas based plan

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

35 Share-based payments (continued)

Grant Date	Vesting / Expiry date	Fair value at grant date TSR	DRIVe mgt fee	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2007	1 Nov 2010	3.50	5.96	253,456	21,534	(27,429)	247,561
Total				253,456	21,534	(27,429)	247,561
Weighted average exercise price				$3.32	$3.32	$3.32	$3.32

The assessed fair value of the US participants at reporting date is: TSR $4.33 (2009: $2.78) and DRIVe management fee $4.18 (2009: 3.86).

2006 and 2007 Executive Loan Plan

The Executive Loan Plan (ELP) was discontinued as of the 2007 financial year. The ELP rewarded the improvements in the price of Transurban's stapled securities over a three year period with relative Total Security holder Return (TSR) against the S&P/ASX 100 Industrials as a performance measure. Executives based outside Australia were eligible to participate in a cash based plan similarly structured to the ELP.

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

Set out below are securities granted under the plan.

Australian Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2006	1 Nov 2009	$7.28	897,346	-	-	(897,346)	-
Total			897,346	-	-	(897,346)	-
Weighted average grant price			$7.28	$-	$-	$7.28	$-

35 Share-based payments (continued)

Overseas Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2006	1 Nov 2009	$7.28	270,000	-	-	(270,000)	-
Total			270,000	-	-	(270,000)	-
Weighted average grant price			$7.28	$-	$-	$7.28	$-

Australian Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2005	1 Nov 2008	$6.47	814,200	-	(696,831)	(117,369)	-
1 Nov 2006	1 Nov 2009	$7.28	1,175,000	-	-	(277,654)	897,346
Total			1,989,200	-	(696,831)	(395,023)	897,346
Weighted average grant price			$6.95	$-	$6.47	$7.04	$7.28

Overseas Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2005	1 Nov 2008	$6.47	189,700	-	(189,700)	-	-
1 Nov 2006	1 Nov 2009	$7.28	300,000	-	-	(30,000)	270,000
Total			489,700	-	(189,700)	(30,000)	270,000
Weighted average grant price			$6.97	$-	$6.47	$7.28	$7.28

Assessed fair value

The assessed fair value at grant date of the plans above has been independently determined using a Black-Scholes option pricing model that takes into account the term of the right/award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right/award.

35 Share-based payments (continued)

Employee security scheme

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

All Australian based permanent employees are eligible to participate in either the Investment Tax Exempt Plan or the Investment Tax Deferred Plan. Under the plans, Transurban provides participants with a matching component toward the acquisition of the stapled securities. For the period 1 July 2009 to 30 June 2010, the cost of company matches was $125,517 (2009: $33,292) for the Investment Tax Exempt Plan and $nil (2009: $207,417) for the Investment Tax Deferred Plan. These plans were suspended in May 2009 following changes to taxation announced in the Federal budget. The Group reactivated the Tax Exempt Plan in the year ended 30 June 2010 and has reactivated the Investment Tax Deferred Plan for the 2011 financial year. These have been reactivated with the required modifications as a result of legislation changes.

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 2010, each participant was allocated 100 stapled securities at a value of $5.27 per security. Stapled securities provided under the Plan were acquired on the open market.

	2010 Number	2009 Number
Shares purchased on the market under the plan and provided to participating employees	**44,800**	45,300

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 $5.2 million (2009: $2.0million).

36 Key management personnel disclosures

Directors

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

(i) Executive directors
Christopher J Lynch (THL, TIML and TIL)
(ii) Non-executive directors
David J Ryan (Chairman of THL, TIML and TIL)
Neil G Chatfield (THL and TIML)
Geoffrey O Cosgriff (THL and TIML)
Jeremy GA Davis (THL and TIML)
Robert J Edgar (appointed 21 July 2009) (THL and TIML)
Lindsay Maxsted (THL and TIML)
Rodney Slater (THL and TIML)
Jennifer S Eve (TIL)
James M Keyes (TIL)

36 Key management personnel disclosures (continued)

Other key management personnel

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

B Bourke	Chief Operating Officer
D Cardiff (resigned 30 November 2009)	Group General Manager, Human Resources
K Daley	President, International Development
M Fletcher	Group General Manager, Public Affairs
A Head	Group General Manager, Strategy and Development
S Hogg	Acting Group General Manager, People, Legal and Governance
T Honan	Chief Financial Officer
M Kulper	President, Transurban North America
E Mildwater	Chief Legal Counsel and Company Secretary

Key management personnel compensation

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

	30 June 2010 $	30 June 2009 $
Short-term employee benefits	**15,074,681**	15,545,045
Post-employment benefits	**448,936**	851,313
Long-term benefits	**110,982**	182,876
Termination benefits	**268,637**	-
Share-based payments	**3,374,587**	1,857,574
	19,277,823	18,436,808

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

2010	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the Group						
C J Lynch	483,721	617,211	-	-	1,100,932	-
Other key management personnel of the Group						
B Bourke	85,465	109,050	-	-	194,515	-
D Cardiff	46,512	-	-	(29,749)	16,763	-
K Daley	67,151	111,276	-	-	178,427	-
M Fletcher	34,884	47,478	-	-	82,362	-
A Head	46,512	59,347	-	-	105,859	-
S Hogg	23,256	47,478	-	-	70,734	-
T Honan	232,558	148,368	-	-	380,926	-
M Kulper	145,422	161,956	-	-	307,378	-
E Mildwater	29,070	66,766	-	-	95,836	-

36 Key management personnel disclosures (continued)

2009

	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C J Lynch	-	483,721	-	-	483,721	-
Other key management personnel of the Group						
B Bourke	-	85,465	-	-	85,465	-
D Cardiff	-	46,512	-	-	46,512	-
K Daley	-	67,151	-	-	67,151	-
M Fletcher	-	34,884	-	-	34,884	-
A Head	-	46,512	-	-	46,512	-
S Hogg	-	23,256	-	-	23,256	-
T Honan	-	232,558	-	-	232,558	-
M Kulper	-	145,422	-	-	145,422	-
E Mildwater	-	29,070	-	-	29,070	-

Executive Loan Plan
The number of securities held under the executive loan plan during the financial year by each director of Transurban Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2010

	Balance at start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at the end of the year
Other key management personnel of the Group						
B Bourke	160,000	-	-	(160,000)	-	-
D Cardiff	35,000	-	-	(35,000)	-	-
K Daley	100,000	-	-	(100,000)	-	-
M Fletcher	15,000	-	-	(15,000)	-	-
A Head	22,500	-	-	(22,500)	-	-
M Kulper	100,000	-	-	(100,000)	-	-

2009

	Balance at start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at the end of the year
Other key management personnel of the Group						
B Bourke	262,000	-	(90,005)	(11,995)	160,000	-
D Cardiff	63,500	-	(25,148)	(3,352)	35,000	-
K Daley	174,000	-	(74,000)	-	100,000	-
M Fletcher	15,000	-	-	-	15,000	-
A Head	37,501	-	(15,001)	-	22,500	-
M Kulper	190,000	-	(90,000)	-	100,000	-

36 Key management personnel disclosures (continued)

Stapled security holdings

The number of Transurban Group Stapled Securities held during the financial year by each director of Transurban Holdings Limited and other key management personnel of the Group, including their personally-related parties, are set out below.

Stapled Securities

2010	**Balance at start of the year**	**Received during the year via the Executive Equity Plan**	**Other changes during the year**	**Balance at end of the year**
Directors of the Group				
D J Ryan	60,945	-	5,541	66,486
N G Chatfield	-	-	20,910	20,910
G O Cosgriff	126,012	-	18,411	144,423
J G A Davis	125,005	-	33,183	158,188
R J Edgar	7,709	-	4,127	11,836
L P Maxsted	-	-	12,000	12,000
C J Lynch	233,041	-	21,925	254,966
Other key management personnel of the Group				
B Bourke	460,151	-	100	460,251
D Cardiff	158,477	-	(158,477)	-
K Daley	384,578	-	100	384,678
M Fletcher	33,491	-	1,000	34,491
A Head	23,742	-	100	23,842
S Hogg	22,781	-	(7,265)	15,516
T Honan	85,474	-	8,100	93,574
M Kulper	103,944	-	-	103,944
E Mildwater	24,640	-	556	25,196

2009	**Balance at start of the year**	**Received during the year via the Executive Equity Plan**	**Other changes during the year**	**Balance at end of the year**
Directors of the Group				
D J Ryan	57,300	-	3,645	60,945
G O Cosgriff	116,036	-	9,976	126,012
J G A Davis	125,005	-	-	125,005
R J Edgar	5,376	-	2,333	7,709
S M Oliver	50,518	-	4,004	54,522
C J S Renwick	21,552	-	20,000	41,552
C J Lynch	152,800	79,647	594	233,041
Other key management personnel of the Group				
B Bourke	539,661	19,146	(98,656)	460,151
D Cardiff	167,633	19,146	(28,302)	158,477
K Daley	365,332	19,146	100	384,578
M Fletcher	15,121	19,146	(776)	33,491
A Head	4,596	19,146	-	23,742
S Hogg	-	15,316	7,465	22,781
T Honan	-	85,474	-	85,474
M Kulper	80,000	23,944	-	103,944
E Mildwater	4,700	19,146	794	24,640

36 Key management personnel disclosures (continued)

(i) Executive Equity Plan (EEP)

2010	Balance at start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C J Lynch	79,647	-	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	19,146	-	-	-	19,146	-
D Cardiff	19,146	-	-	(19,146)	-	-
K Daley	19,146	-	-	-	19,146	-
M Fletcher	19,146	-	-	-	19,146	-
A Head	19,146	-	-	-	19,146	-
S Hogg	15,316	-	-	-	15,316	-
T Honan	85,474	-	-	-	85,474	-
M Kulper	23,944	-	-	-	23,944	-
E Mildwater	19,146	-	-	-	19,146	-

2009	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C J Lynch	-	79,647	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	-	19,146	-	-	19,146	-
D Cardiff	-	19,146	-	-	19,146	-
K Daley	-	19,146	-	-	19,146	-
M Fletcher	-	19,146	-	-	19,146	-
A Head	-	19,146	-	-	19,146	-
S Hogg	-	15,316	-	-	15,316	-
T Honan	-	85,474	-	-	85,474	-
M Kulper	-	23,944	-	-	23,944	-
E Mildwater	-	19,146	-	-	19,146	-

Performance Rights Plan

2010	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Other key management personnel of the Group						
B Bourke	92,857	-	-	-	92,857	-
D Cardiff	27,428	-	-	(8,401)	19,027	-
K Daley	78,571	-	-	-	78,571	-
M Fletcher	11,142	-	-	-	11,142	-
A Head	14,857	-	-	-	14,857	-
M Kulper	76,778	-	-	-	76,778	-

36 Key management personnel disclosures (continued)

2009	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Other key management personnel of the Group						
B Bourke	92,857	-	-	-	92,857	-
D Cardiff	27,428	-	-	-	27,428	-
K Daley	78,571	-	-	-	78,571	-
M Fletcher	11,142	-	-	-	11,142	-
A Head	14,857	-	-	-	14,857	-
M Kulper	76,778	-	-	-	76,778	-

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. Mr Slater was also a Director of Parsons Brinckerhoff until September 2009. Parsons Brinkerhoff provides engineering consulting services to Transurban. Both of these relationships are 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. Mr Maxsted also acts as Special Advisor to Lazard Pty Limited who provides corporate advisory services to Transurban. Both of these relationships are based on normal commercial terms.

Mr Neil Chatfield is a non-executive director of Seek who provides employment advising services to Transurban. Mr Chatfield is also Chairman of Virgin Blue Holdings Limited. Transurban uses air travel services provided by Virgin Blue. Both of these relationships are based on normal commercial terms.

Ms Jennifer Eve is an associate with Appleby. During the year Transurban utilised Appleby for various legal services. These services are based on normal commercial terms.

37 Critical accounting estimates and judgements

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

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

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

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. However, the utilisation of tax losses also depends on the ability of the Group to satisfy certain tests at the time the losses are recouped. Management has internal models forecasting future taxable profits and has therefore recognised deferred tax assets in relation to tax losses.

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

37 Critical accounting estimates and judgements (continued)

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 note1(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.

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

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

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

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

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

38 Financial risk management

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

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

Market risk

Foreign exchange risk

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

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

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

	30 June 2010 USD $'000	30 June 2009 USD $'000
Cash and cash equivalents	**11,611**	18
Net Investment in foreign operation	**184,744**	198,144
Borrowings	**(1,090,163)**	(1,047,417)
Cross-currency interest rate swaps	**933,406**	933,406

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 $825,000 lower (2009: $2,000 lower) or $1,044,000 higher (2009: $2,000 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 $40,924,000 lower (2009: $34,160,000 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 $60,922,000 higher (2009: $50,961,000 higher). The Group revalues its U.S. dollar borrowings each period using market spot rates and, where a qualifying hedge is in place, defers these movements in equity. The volatility in equity is caused mainly by fair value movements of the cross currency interest rate swaps, which are affected by changes in forward Australian dollar/U.S. dollar foreign exchange rates.

Price risk

The Group is not exposed to price risk.

38 Financial risk management (continued)

Cash flow interest rate risk

The Group's main exposure to interest rate risk arises from long-term borrowings. Treasury manages interest rate risk by entering into fixed rate debt facilities or using interest rate swaps to convert floating rate debt. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100%. Covenant requirements vary by debt facility, and require a minimum of between 50% and 80% of interest rate exposure to be hedged. At 30 June 2010 99% 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 2010		30 June 2009	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	**4.6 %**	(681,259)	2.8 %	(199,805)
Floating Rate Borrowings	**6.1 %**	2,387,604	4.1 %	2,447,821
Interest rate swaps (notional principal amount)	**4.4 %**	(2,351,979)	3.3 %	(2,223,604)
Net exposure to cash flow interest rate risk		(645,634)		24,412

An analysis by maturities is provided in Liquidity risk below.

Sensitivity

At 30 June 2010, 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 $6,456,000 higher/lower (2009: $244,000 lower/higher). Profit is more sensitive to movements in interest rates in 2010 than 2009, due mainly to an increase 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 cashflows of the Motorway.

Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. Treasury assesses liquidity over the short term (up to 12 months) and medium term (1 – 5 years) by maintaining accurate forecasts of operating expenses, committed capital expenditure and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

Short term liquidity is managed by maintaining a strategic liquidity reserve. This reserve is based on the Group's forecast annual operating costs and certain risk exposure scenarios as maintained by the Group's strategic risk register, and is maintained as cash and undrawn facilities. The reserve is maintained on a rolling 12 month basis. Medium term liquidity forecasting is maintained on a rolling 5 year horizon.

38 Financial risk management (continued)

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

	2010 $'000	2009 $'000
Floating rate		
- Expiring within one year	**270,971**	111,156
- Expiring beyond one year	**230,000**	305,179
	500,971	416,335

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

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

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

Contractual maturities of financial liabilities	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying Amount (assets)/ liabilities**
At 30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives								
Non-interest bearing	355,102	-	-	-	-	313,676	668,778	397,492
Variable rate	183,132	537,122	692,867	264,654	440,126	916,389	3,034,290	2,387,604
Fixed rate	71,790	291,227	98,676	351,097	217,260	1,687,793	2,717,843	1,653,010
Total non-derivatives	610,024	828,349	791,543	615,751	657,386	2,917,858	6,420,911	4,438,106
Derivatives								
Net settled (interest rate swaps)	36,041	30,222	24,612	7,422	5,586	(4,976)	98,907	81,290
Net settled (cross-currency interest rate swaps)	5,426	17,916	9,857	13,234	7,568	(128,922)	(74,921)	(17,668)
	41,467	48,138	34,469	20,656	13,154	(133,898)	23,986	63,622

38 Financial risk management (continued)

At 30 June 2009

	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives								
Non-interest bearing	385,499	-	-	-	-	288,726	674,225	411,199
Variable rate	700,139	106,984	494,279	463,516	242,587	958,108	2,965,613	2,425,520
Fixed rate	213,784	55,611	275,601	83,830	86,038	1,916,986	2,631,850	1,616,102
Total non-derivatives	1,299,422	162,595	769,880	547,346	328,625	3,163,820	6,271,688	4,452,821
Derivatives								
Net settled (interest rate swaps)	57,105	37,142	(2,228)	(9,899)	(9,664)	(24,751)	47,705	(38,628)
Net settled (cross-currency interest rate swaps)	1,173	4,040	44,355	20,698	18,626	(104,995)	(16,103)	(6,395)
	58,278	41,182	42,127	10,799	8,962	(129,746)	31,602	(45,023)

Fair value measurements

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

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

As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

38 Financial risk management (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Group - as at 30 June 2010	**Level 1 $'000**	**Level 2** $'000	**Level 3 $'000**	**Total** $'000
Assets				
Derivatives used for hedging	-	80,230	-	80,230
Total assets	-	80,230	-	80,230
Liabilities				
Derivatives used for hedging	-	143,852	-	143,852
Total liabilities	-	143,852	-	143,852

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 49 to 123 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 2010 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable,and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

David J Ryan
Director

Christopher J Lynch
Director

Melbourne
12 August 2010

PricewaterhouseCoopers
ABN 52 780 433 757

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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 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban Holdings Limited Group (the Group). The Group comprises the aggregation of Transurban Holdings Limited (THL), Transurban Holding Trust (THT) and Transurban International Limited (TIL) and the entities they controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

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

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

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 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 45 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

John Yeoman
Partner

Melbourne
12 August 2010

The security holder information set out below was applicable as at 1 September 2010.

Distribution of stapled securities

The number of holders of stapled securities, which comprises one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holding Trust, was 67,003.

The voting rights are one vote per stapled security.

At 1 September 2010 the percentage of the total holdings held by or on behalf of the 20 largest holders of these securities was 79.06 per cent.

The distribution of holders was as follows:

Security grouping	Total holders	Units	% of Issued Capital
1 - 1,000	24,717	9,743,880	0.68
1,001 - 5,000	31,107	78,306,126	5.43
5,001 - 10,000	7,109	50,916,469	3.53
10,001 - 100,000	3,845	81,493,545	5.65
100,001 - 9,999,999,999	225	1,220,830,613	84.70
Rounding			0.01
Total	**67,003**	**1,441,290,633**	**100.00**

There were 5,687 holders of less than a marketable parcel of stapled securities.

Total stapled securities: 1,441,290,633.

Twenty largest holders of stapled securities

Name	Number of stapled securities held	Per cent of issued stapled securities
HSBC Custody Nominees (Australia) Limited	479,852,426	33.29
National Nominees Limited	349,974,664	24.28
J P Morgan Nominees Australia Limited	145,496,316	10.09
Citicorp Nominees Pty Limited	33,402,284	2.32
Cogent Nominees Pty Limited	17,403,961	1.21
Australian Foundation Investment Company Limited	14,825,726	1.03
UBS Nominees Pty Ltd	12,389,880	0.86
AMP Life Limited	11,785,190	0.82
UBS Wealth Management Australia Nominees Pty Ltd	10,422,999	0.72
ANZ Nominees Limited	10,029,735	0.70
RBC Dexia Investor Services Australia Nominees Pty Limited	9,404,426	0.65
Australian Reward Investment Alliance	8,776,444	0.61
Queensland Investment Corporation	7,156,613	0.50
ANZ Nominees Limited	5,175,821	0.36
CS Third Nominees Pty Ltd	5,055,376	0.35
RBC Dexia Investor Services Australia Nominees Pty Limited	4,880,206	0.34
Djerriwarrh Investments Limited	3,895,156	0.27
Argo Investments Limited	3,405,099	0.24
Bond Street Custodians Limited	3,266,846	0.23
RBC Dexia Investor Services Australia Nominees Pty Limited	2,867,732	0.20
Total	**1,139,466,900**	**79.06**

Substantial holders

Substantial security holders as at 1 September 2010 were as follows:

Name	Number of stapled securities held	Per cent of issued stapled securities
CP2 Limited	187,139,384	13.50
Canadian Pension Plan Investment Board	182,552,346	12.90

Transurban Holding Trust and Controlled Entities

ARSN 098 807 419

Annual financial report for the year ended 30 June 2010

Transurban Holding Trust ARSN 098 807 419
Annual financial report - 30 June 2010

Contents

Directors' report

The directors of Transurban Infrastructure Management Limited ("the Company"), the responsible entity of Transurban Holding Trust, present their report on the consolidated entity consisting of Transurban Holding Trust ("the Trust") and the entities it controlled (collectively "the Group"), for the year ended 30 June 2010.

Transurban Holding Trust forms part of the Transurban Group. The securities of the entities comprising the Transurban Group are stapled. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holding Trust. None of the components of the Stapled Security can be traded separately.

Responsible Entity

Transurban Holding Trust is registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001 and, as a result, requires a responsible entity. Transurban Infrastructure Management Limited is the responsible entity of Transurban Holding Trust and is responsible for performing all functions that are required under the Corporations Act 2001 of a responsible entity.

Directors

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

Non-executive Directors

David J Ryan AO

Neil Chatfield

Geoffrey O Cosgriff

Jeremy G A Davis AM

Robert J Edgar (21 July 2009)

Lindsay Maxsted

Rodney E Slater

Executive Director

Christopher J Lynch

Results

The consolidated net profit for the Group was $305,502,000 (2009: profit of $263,753,000). The net profit attributable to ordinary unit holders of the Group for the year was $294,256,000 (2009: $250,830,000).

Principal Activities

During the year the principal activities of the consolidated entity consisted of holding 100 per cent of the units in the CityLink Trust, the Transurban Finance Trust, the Hills Motorway Trust, the Sydney Roads Trust, the T (895) Finance Trust and the Transurban CARS Trust. The Transurban CARS Trust holds the Transurban Group's investment in Westlink M7 Motorway in Sydney.

Distributions

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

	30 June 2010 $'000	30 June 2009 $'000
Distributions proposed		
Final distribution payable and recognised as a liability: 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security payable 27 August 2010	**169,760**	141,095
	169,760	141,095
Distributions paid during the year		
Final distribution for 2009 financial year of 11.0 cents (2008: 29.0 cents) per fully paid Stapled Security paid 28 August 2009	**141,095**	319,076
Interim distribution for 2010 financial year of 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security paid 26 February 2010	**154,806**	140,041
Total distributions paid	**295,901**	459,117
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2010 and 30 June 2009		
Paid in cash	**230,451**	172,161
Executive loans - repayments	**65**	551
Satisfied by issue of Stapled Securities	**65,381**	286,418
Funds available for future distribution reinvestment plans	**4**	(13)
	295,901	459,117

Review of operations

Total revenue for the Group increased by 1.88% to $220.2 million. The profit for the year was $305.5 million.

Capital raising
On 10 May 2010, the Transurban Group announced that it would undertake a capital raising comprising a fully underwritten accelerated renounceable 1 for 11 entitlement offer to raise $542.3 million at an offer price of $4.60 per security.

The capital raising was undertaken to fund the equity component of Transurban's acquisition of the Lane Cove Tunnel (see below for further details of the acquisition) and took into account Transurban's broader capital funding requirements for growth projects.

The capital raising was successfully completed on 10 June 2010.

Acquisition of Lane Cove Tunnel (Sydney)
On 10 May 2010 Transurban announced that it had reached agreement to acquire the assets and motorway concession deed connected with the Lane Cove Tunnel in Sydney for $630.5million.

The 3.6 kilometre Lane Cove Tunnel is a key link on the Sydney orbital network that sits adjacent to the Hills M2. The Lane Cove Tunnel acquisition expands Transurban's footprint on the Sydney orbital network and increases exposure to the North West Sydney corridor.

Transurban took control of the tunnel on 10 August 2010. From 10 May 2010 to the date of acquisition, Transurban has worked to maximise the 'Day 1' EBITDA margin on the Lane Cove Tunnel, primarily by eliminating costs.

Significant changes in the state of affairs

On 10 May 2010, Transurban announced that it had reached agreement to acquire the assets and motorway concession deed connected with the Lane Cove Tunnel in Sydney for $630.5 million.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year, the Group has completed the acquisition of the assets and motorway concession deed connected with the Lane Cove Tunnel in Sydney. The Group took control of the assets and concession deed on 10 August 2010. The acquisition was funded through cash on hand from a capital raising in May 2010 and external bank debt.

Likely developments and expected results of operations

Information on likely developments in the operations of the Trust and the expected results of operations have not been included in this report because the directors of the responsible entity believe it would be likely to result in unreasonable prejudice to the Trust.

Environmental regulation

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

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

Indemnification and Insurance

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

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

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

Fees paid to and interest held in the Trust by the Responsible Entity or its Associates

Fees paid to the Responsible Entity out of Trust property during the year are disclosed in note 28.

No fees were paid to the directors of the Responsible Entity during the year out of Trust property.

	30 June 2010 Number '000	30 June 2009 Number '000
Interests in the Trust issued during the financial year		
Balance at 1 July	**1,281,363**	1,218,263
Units issued during the year	**132,932**	63,100
Balance at 30 June	**1,414,295**	1,281,363

Value of Assets

	2010 $'000	2009 $'000
Value of Trust assets at 30 June	**9,943,978**	9,542,960

The value of the Trust's assets is derived using the basis of accounting set out in Note 1 to the financial statements.

Units under option

There are 4,396,348 units of Transurban Holding Trust under share based payment schemes. 1,990,913 units were granted in the current year. 2,953 units were issued on the exercise of the relevant schemes.

Directors' Interests

The directors of the Responsible Entity have disclosed relevant interests in Stapled Securities issued by the Transurban Group as follows:

	Number of Stapled Securities
Non-executive directors	
D J Ryan	66,486
N G Chatfield	20,910
G O Cosgriff	144,423
J G A Davis	158,188
R J Edgar (appointed 21 July 2009)	11,836
L P Maxsted	12,000
R Slater	-
Executive directors	
C J Lynch	254,966

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 135.

Rounding of amounts

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

Auditor

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

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

David J Ryan
Chairman

Christopher J Lynch
Director

Melbourne
12 August 2010

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Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holding Trust for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Transurban Holding Trust and the entities it controlled during the period.

John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
12 August 2010

Transurban Holding Trust ARSN 098 807 419
Annual financial report - 30 June 2010

This financial report covers Transurban Holding Trust and its subsidiaries. The financial report is presented in the Australian currency.

Transurban Holding Trust is a Trust registered and domiciled in Australia. Its registered office and principal place of business is:

Transurban Holding Trust
Level 3, 505 Little Collins Street
Melbourne VIC 3000

The financial report was authorised for issue by the directors on 12 August 2010. Transurban Infrastructure Management Limited has the power to amend and reissue the financial report.

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

Transurban Holding Trust
Income statement
For the year ended 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Revenue	4	**220,219**	216,151
Other income	5	**101,857**	50,332
Administration costs		**(3,403)**	(3,522)
Promissory notes		**(919)**	(1,193)
		(4,322)	(4,715)
Profit before depreciation and amortisation, net finance costs, equity accounted investments and tax		**317,754**	261,768
Depreciation and amortisation expense	6	**(92,106)**	(95,203)
Finance income		**403,641**	416,887
Finance costs		**(322,142)**	(311,062)
Net finance income	7	**81,499**	105,825
Share of net profits (losses) of equity accounted investments	12	**-**	(7,556)
Profit before income tax		**307,147**	264,834
Income tax expense	8	**(1,645)**	(1,081)
Profit for the year		**305,502**	263,753
Profit is attributable to:			
Owners of Transurban Holding Trust		**294,256**	250,830
Non-controlling interest		**11,246**	12,923
		305,502	263,753

		Cents	Cents
Earnings per unit for profit attributable to the ordinary unit holders:			
Basic earnings per unit	33	**22.6**	19.8
Diluted earnings per unit	33	**22.6**	19.8

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

Transurban Holding Trust
Statement of comprehensive income
For the year ended 30 June 2010

	30 June 2010 $'000	30 June 2009 $'000
Profit for the year	**305,502**	263,753
Other comprehensive income/(loss)		
Changes in the fair value of cash flow hedges, net of tax	**(3,355)**	(16,658)
Other comprehensive income/(loss) for the year, net of tax	**(3,355)**	(16,658)
Total comprehensive income for the year	**302,147**	247,095
Total comprehensive income for the year is attributable to:		
Owners of Transurban Holding Trust	**291,570**	235,659
Non-controlling interest	**10,577**	11,436
	302,147	247,095

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

Transurban Holding Trust
Balance sheet
As at 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**4,177**	28,418
Trade and other receivables	10	**569,227**	208,518
Derivative financial instruments	14	**257**	-
Total current assets		**573,661**	236,936
Non-current assets			
Receivables	11	**5,981,577**	5,864,912
Term loan notes	13	**678,044**	633,272
Derivative financial instruments	14	**3,172**	9,134
Deferred tax assets	15	**988**	64
Intangible assets	16	**2,706,536**	2,798,642
Total non-current assets		**9,370,317**	9,306,024
Total assets		**9,943,978**	9,542,960
LIABILITIES			
Current liabilities			
Trade and other payables	17	**161,855**	109,978
Borrowings	18	**-**	515,500
Derivative financial instruments	14	**2,667**	3,336
Current tax liabilities		**1,516**	2,585
Provisions	19	**197,478**	171,645
Other liabilities	20	**-**	79,080
Total current liabilities		**363,516**	882,124
Non-current liabilities			
Borrowings	18	**4,142,699**	3,607,312
Derivative financial instruments	14	**10,257**	8,184
Other liabilities	20	**16,645**	10,613
Total non-current liabilities		**4,169,601**	3,626,109
Total liabilities		**4,533,117**	4,508,233
Net assets		**5,410,861**	5,034,727
UNIT HOLDERS' FUNDS			
Issued units	21	**7,103,500**	6,692,365
Reserves	22	**(3,985)**	(330)
Accumulated losses	22	**(1,731,625)**	(1,701,315)
Non-controlling interests		**42,971**	44,007
Total unitholders' funds		**5,410,861**	5,034,727

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

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to members of Transurban Holding Trust				
Balance at 1 July 2008		**6,507,180**	**17,392**	**(1,671,191)**	**47,261**	**4,900,642**
Total comprehensive income for the year		**-**	**(15,171)**	**250,830**	**11,436**	**247,095**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	21	6,049	-	-	-	6,049
Treasury securities	21	4,993	-	-	-	4,993
Distribution reinvestment plan	21	174,143	-	-	-	174,143
Change in value of share-based payment reserve	22	-	(2,551)	-	-	(2,551)
Distribution provided for or paid		-	-	(280,954)	-	(280,954)
Distributions paid to non-controlling interest		-	-	-	(14,690)	(14,690)
		185,185	(2,551)	(280,954)	(14,690)	(113,010)
Balance at 30 June 2009		**6,692,365**	**(330)**	**(1,701,315)**	**44,007**	**5,034,727**
Balance at 1 July 2009		**6,692,365**	**(330)**	**(1,701,315)**	**44,007**	**5,034,727**
Total comprehensive income for the year		**-**	**(2,686)**	**294,256**	**10,577**	**302,147**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	21	360,002	-	-	-	360,002
Treasury securities	21	6,673	-	-	-	6,673
Distribution reinvestment plan	21	44,460	-	-	-	44,460
Change in value of share-based payment reserve	22	-	(969)	-	-	(969)
Distribution provided for or paid		-	-	(324,566)	-	(324,566)
Distributions paid to non-controlling interest		-	-	-	(11,613)	(11,613)
		411,135	(969)	(324,566)	(11,613)	73,987
Balance at 30 June 2010		**7,103,500**	**(3,985)**	**(1,731,625)**	**42,971**	**5,410,861**

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

Transurban Holding Trust
Cash flow statement
For the year ended 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**224,026**	220,713
Payments to suppliers (inclusive of GST)		**(409)**	(2,343)
Interest received		**187,769**	117,867
Interest paid		**(257,962)**	(235,947)
Income taxes paid		**(3,641)**	(708)
Net cash inflow from operating activities	31	**149,783**	99,582
Cash flows from investing activities			
Payment for equity accounted investments		**-**	(7,556)
Payment for acquisition of term loan notes		**-**	(30,444)
Payment for settlement of CityLink Concession Notes		**(61,795)**	(148,307)
Net cash (outflow) from investing activities		**(61,795)**	(186,307)
Cash flows from financing activities			
Proceeds from issues of units, net of costs		**368,830**	6,041
Proceeds from sale of treasury units, net of costs		**3,489**	2,139
Proceeds from borrowings, net of costs		**500,292**	457,414
Repayment of borrowings		**(515,500)**	(459,000)
Loans to/from related parties		**(429,403)**	267,240
Repayment of loans to/from related parties		**204,956**	(17,056)
Distributions paid to Transurban Group's security holders	28	**(230,451)**	(172,161)
Distributions paid to non-controlling interests in subsidiaries	23	**(14,442)**	(15,356)
Net cash (outflow) inflow from financing activities		**(112,229)**	69,261
Net (decrease) in cash and cash equivalents		**(24,241)**	(17,464)
Cash and cash equivalents at the beginning of the financial year		**28,418**	45,882
Cash and cash equivalents at end of year	9	**4,177**	28,418

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

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

The financial report includes the consolidated entity consisting of the Transurban Holding Trust and its subsidiaries (the Group).

(a) Basis of preparation

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

Where necessary, comparatives have been reclassified for consistency with current year disclosures. In the Cash flow statement, $191.0 million of related party interest and rental income has been reclassified from financing to operating cash flows in the prior year comparatives as this is considered a more appropriate classification.

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

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

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

Financial statement presentation
The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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

(b) Principles of consolidation

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

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

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

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

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Transurban Holding Trust.

Associates and joint ventures
Associates are all entities over which the Group has significant influence but not control. Interests in joint ventures are where the Group jointly controls an entity with another party. (refer to note 12).

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Segment reporting

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

Change in accounting policy
The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the CEO. There has been no impact on the measurement of the Group's assets and liabilities. Comparatives for 2009 have been restated.

(d) Revenue recognition

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

Revenue is recognised in the major business activities as follows:

- Rental revenue - Rental revenue is recognised as earned in accordance with the lease contract.
- Interest income - Interest income is recognised on a time proportionate basis using the effective interest method.
- Distribution revenue - Distribution revenue is recognised when the Trust's right to receive payment is established.

(e) Income tax

Pursuant to the provisions of the Income Tax Legislation, Trusts are not liable to income tax provided that its taxable income (including assessable realised capital gains) is fully distributed to unit holders.

Income tax is brought to account in the financial statements to the extent it relates to companies in the Group. The income tax expense or benefit for the period is the tax payable or benefit on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

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

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

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

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

(f) Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(g) Business combinations

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

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

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

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

Change in accounting policy
A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Trust's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

1 Summary of significant accounting policies (continued)

(g) Business combinations (continued)

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the Group as a result of applying the new standard.

(h) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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

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

(i) Cash and cash equivalents

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

(j) Investments and other financial assets

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 10) and (note 11).

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

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

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

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

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

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

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

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

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

(k) Derivatives and hedging activities

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

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

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

1 Summary of significant accounting policies (continued)

(k) Derivatives and hedging activities (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement, 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 statement 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 hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

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

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

(l) Intangible assets

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

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

1 Summary of significant accounting policies (continued)

(m) Financial liabilities

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

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using an effective interest method.

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

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

(o) Borrowing costs

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

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

(p) Provisions

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

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

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

(q) Contributed equity

Units in the trust are classified as equity.

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

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

1 Summary of significant accounting policies (continued)

(r) Parent entity financial information

The financial information for the parent entity, Transurban Holding Trust, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

(s) Goods and Services Tax (GST)

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

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

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

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2010)
In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group does not expect any adjustments will be necessary as a result of applying the revised rules.

AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions [AASB2] (effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. There will be no impact on the financial report of the Group as this is consistent with the Group's current accounting policy.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. Management continue to assess the impact of AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. There will be no impact on the financial report of the Group as this is consistent with the Group's current accounting policy.

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

1 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Transurban Holding Trust is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Group.

2 Trust formation and termination

The Transurban Holding Trust was established on 15 November 2001. The Trust was due to terminate on 20 December 2081 unless terminated earlier. However, amendments made to the Trust Deed have extended the Trust to perpetuity.

The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 28 November 2001.

3 Segment information

Business segment
Management has determined that Transurban Holding Trust has one operating segment, based on the review and management of the consolidated Group.

Transurban Holding Trust operations involve the leasing of assets and the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of the Trust are based on this operating segment.

4 Revenue

	Notes	**30 June 2010 $'000**	30 June 2009 $'000
Rental income	(a)	**219,952**	215,772
Other revenue		**267**	379
		220,219	216,151

(a) Rental income

Rental income is derived from property held by the trust and is recognised in the income statement on a straight-line basis over the term of the lease.

5 Other income

	Notes	30 June 2010 $'000	30 June 2009 $'000
Concession notes	(a)	**23,087**	19,524
Remeasurement of concession notes	(a)	**78,770**	30,808
		101,857	50,332

(a) Concession notes

Income from concession notes relates to the CityLink concession notes, following agreements reached with the State of Victoria and Vic Roads. Under the agreements, the Group paid a total of $765 million to reassign all current and future concession notes incurred under the provisions of the Melbourne CityLink Concession Deed to Transurban Holding Trust. The Group recognises income as additional notes are issued by CityLink Melbourne Limited semi-annually.

(b) Remeasurement of concession notes

Remeasurement of concession notes represent the discount unwinding over the passage of time on these notes and the change in the payment profile of the concession notes.

6 Expenses

	30 June 2010 $'000	30 June 2009 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense - operating cost	**92,106**	95,203
	92,106	95,203

7 Net finance costs

	30 June 2010 $'000	30 June 2009 $'000
Finance income		
Interest income from related parties	**403,287**	406,209
Other interest income	**354**	2,118
Foreign exchange gains	**-**	5,306
Net movement in promissory note payable	**-**	3,254
Total finance income	**403,641**	416,887
Finance costs		
Interest and finance charges paid/payable	**(248,121)**	(265,515)
Interest rate hedging charges paid/payable	**(67,390)**	(22,101)
Remeasurement of M1 Upgrade payable	**-**	(23,446)
Foreign exchange losses	**(1,877)**	-
Net movement in promissory note payable	**(4,754)**	-
Total finance costs	**(322,142)**	(311,062)
Net finance income	**81,499**	105,825

8 Income tax expense

	2010 $'000	2009 $'000
Income tax expense		
Current tax	**3,184**	2,444
Deferred tax	**(1,537)**	(1,278)
Under/(Over) provided in prior years	**(2)**	(85)
	1,645	1,081
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	**(1,619)**	(1,623)
(Decrease) increase in deferred tax liabilities	**82**	345
	(1,537)	(1,278)
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**307,147**	264,834
Tax at the Australian tax rate of 30% (2009 - 30%)	**92,144**	79,450
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Trust income not subject to tax	**(90,497)**	(78,284)
	1,647	1,166
Under/(Over) provided in prior years	**(2)**	(85)
Income tax expense	**1,645**	1,081

9 Current assets - Cash and cash equivalents

	30 June 2010 $'000	30 June 2009 $'000
Cash at bank and in hand	**4,177**	28,418
	4,177	28,418

All cash balances are interest bearing.

10 Current assets - Trade and other receivables

	Notes	30 June 2010 $'000	30 June 2009 $'000
Loans to related parties	(a)	**568,063**	207,701
Prepayments	(b)	**1,164**	817
		569,227	208,518

No class within trade and other receivables contain impaired or past due assets. Based on the credit history, it is expected these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

10 Current assets - Trade and other receivables (continued)

Description of trade and other receivables

(a) Loans to related parties

Loans to related parties predominantly represent interest and finance charges on funds loaned from Transurban Finance Company, distributions receivable from its subsidiaries and accrued interest from a related party. There is no allowance for doubtful debts as the counterparties are related parties.

(b) Prepayments

Prepayments relate to expenses that have been paid but not yet incurred as at 30 June 2010.

11 Non-current assets - Receivables

	Notes	**30 June 2010 $'000**	30 June 2009 $'000
Concession notes	(a)	**479,967**	378,110
Loans to related parties		**5,501,610**	5,486,802
		5,981,577	5,864,912

None of the non-current receivables are impaired or past due but not impaired.

(a) Concession notes

The Group reached agreements with the State of Victoria and Vic Roads, under which the Group paid $765 million to the State to reassign all current and future concession notes incurred under the provisions of the Melbourne CityLink Concession Deed to Transurban Holding Trust.

12 Equity accounted investments

Carrying amounts

Name of company	Ownership interest		Carrying amount	
	30 June 2010 %	30 June 2009 %	**30 June 2010 $'000**	30 June 2009 $'000
Westlink Motorway Limited	**50**	50	**-**	-
WSO Finance Pty Limited	**50**	50	**-**	-
Westlink Motorway Partnership	**50**	50	**-**	-
			-	-

On 28 August 2008, Transurban completed its acquisition of an additional 2.5 per cent of the Westlink M7, for consideration of $38.0 million. The acquisition comprised term loan notes of $30.4 million and an increase in its equity investment of $7.6 million.

Each of the above is a member of the Westlink Motorway Group, established to invest in, construct and operate the Westlink M7 toll road in Sydney. All were incorporated in Australia.

Westlink Motorway Limited is the nominee manager of the Westlink Motorway Partnership and is carried at $90.

WSO Finance Pty Limited is the financier of the Westlink M7 toll road and is carried at $90.

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

Summarised financial information of associates

	Ownership Interest %	Group's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit/(loss) $'000
2010					
Westlink Motorway	50	714,035	(869,990)	54,573	(23,779)
		714,035	(869,990)	54,573	(23,779)
2009					
Westlink Motorway	50	749,261	(870,467)	46,435	(81,795)
		749,261	(870,467)	46,435	(81,795)

12 Equity accounted investments (continued)

	M7 Motorway	
	30 June 2010 $'000	30 June 2009 $'000
Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**-**	-
Share of losses after income tax	**-**	(7,556)
Additional investment acquired	**-**	7,556
Carrying amount at 30 June	**-**	-
Share of profits or losses		
Loss before income tax	**-**	7,556
	-	7,556
Losses not recognised		
Balance at 1 July	**110,236**	35,997
Unrecognised losses for the year	**23,779**	74,239
Balance at 30 June	**134,015**	110,236

Share of expenditure commitments

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

Contingent liabilities of associates

As at reporting date, there are no contingent liabilities.

13 Non-current assets - Term loan notes

	30 June 2010 $'000	30 June 2009 $'000
Term loan notes	**678,044**	633,272
	678,044	633,272

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

The interest rate charged on these notes is 11.93 per cent and any unpaid interest capitalises into additional notes. During the year ended 30 June 2010 the Group capitalised interest of $44.8 million (2009: $44.6 million). The TLN's are accounted for as held-to-maturity investments.

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

14 Derivative financial instruments

	30 June 2010 $'000	30 June 2009 $'000
Current assets		
Interest rate swap contracts - cash flow hedges	**257**	-
Total current derivative financial instrument assets	**257**	-
Non-current assets		
Interest rate swap contracts - cash flow hedges	**3,172**	9,134
Total non-current derivative financial instrument assets	**3,172**	9,134
Total derivative financial instrument assets	**3,429**	9,134
Current liabilities		
Interest rate swap contracts - cash flow hedges	**2,667**	3,336
Total current derivative financial instrument liabilities	**2,667**	3,336
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**10,257**	8,184
Total non-current derivative financial instrument liabilities	**10,257**	8,184
Total derivative financial instrument liabilities	**12,924**	11,520

Instruments used by the Company

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies. (refer to note 36).

Interest rate swap contracts - cash flow hedges
The Group uses interest rate swap contracts for hedging purposes to convert variable rate borrowings to fixed interest. Variable rate borrowings of the Group currently bear an average variable interest rate of 7.5 per cent (2009: 4.80 per cent). It is policy to protect part or all of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

Swaps taken out by the Group cover 100 per cent (2009: 87 per cent) of long term variable debt excluding working capital facilities. After hedging, the Group's variable rate borrowings bear an average fixed rate of 8.2 per cent (2009: 6.90 per cent).

The contracts require settlement of net interest receivable or payable. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in income immediately. There was no ineffectiveness recognised in the current or prior period.

15 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
The balance comprises temporary differences attributable to:						
Current and prior year losses	**2,212**	1,204	**-**	-	**2,212**	1,204
Receivables	**-**	-	**(1,224)**	(1,140)	**(1,224)**	(1,140)
Tax assets/(liabilities)	**2,212**	1,204	**(1,224)**	(1,140)	**988**	64
Set off of tax	**(1,224)**	(1,140)	**1,224**	1,140	**-**	-
Net tax assets/(liabilities)	**988**	64	**-**	-	**988**	64
Movements:						
Opening balance at 1 July	**1,204**	-	**(1,140)**	(795)	**64**	(795)
Credited/(charged) to the income statement	**1,619**	1,623	**(84)**	(345)	**1,535**	1,278
Tax losses utilised	**(611)**	(419)	**-**	-	**(611)**	(419)
Closing balance at 30 June	**2,212**	1,204	**(1,224)**	(1,140)	**988**	64
Deferred tax assets to be recovered after more than 12 months	**2,212**	1,204	**(1,224)**	(1,140)	**988**	64
	2,212	1,204	**(1,224)**	(1,140)	**988**	64

16 Non-current assets - Intangible assets

	CityLink $'000	Hills M2 Motorway $'000	Total $'000
At 1 July 2008			
Cost	1,207,442	2,116,141	3,323,583
Accumulated amortisation	(175,813)	(253,925)	(429,738)
Net book amount	1,031,629	1,862,216	2,893,845
Year ended 30 June 2009			
Opening net book amount	1,031,629	1,862,216	2,893,845
Amortisation charge	(40,718)	(54,485)	(95,203)
Closing net book amount	990,911	1,807,731	2,798,642
At 30 June 2009			
Cost	1,207,442	2,116,141	3,323,583
Accumulated amortisation	(216,531)	(308,410)	(524,941)
Net book amount	990,911	1,807,731	2,798,642
Year 30 June 2010			
Opening net book amount	990,911	1,807,731	2,798,642
Amortisation charge	(37,632)	(54,474)	(92,106)
Closing net book amount	953,279	1,753,257	2,706,536
At 30 June 2010			
Cost	1,207,442	2,116,141	3,323,583
Accumulated amortisation	(254,163)	(362,884)	(617,047)
Net book amount	953,279	1,753,257	2,706,536

Description of intangible assets

Concession assets

The CityLink and Hills M2 Service Concession Arrangements have been accounted for in accordance with AASB-I 12 and therefore the concession assets have been classified as Intangible Assets.

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

Hills M2 Concession Asset
Transurban has the right to toll the Hills M2 Motorway until 2042. The Concession Deed also requires Transurban to maintain the Motorway.

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

16 Non-current assets - Intangible assets (continued)

Impairment testing of intangible assets

Impairment testing
The Group tests whether intangible assets have suffered any impairments, in accordance with the accounting policy stated in note1(h). The recoverable amount of assets and cash-generating units have been determined based on the greater of value-in-use and fair value less cost to sell calculations. These calculations require the use of assumptions regarding traffic flows, discount rates, growth rates and other factors affecting operating activities of cash-generating units.

Key assumptions used for calculating the recoverable amount
The Group makes assumptions in calculating the recoverable amount of its cash generating units. These include assumptions around expected traffic flows and forecast operational costs. In performing the calculations the Group has applied a discount rate of 8.8 per cent (2009: 8.8 per cent), representing the implied discount rate applicable to the risk profile of the Group's assets, to discount the forecast future attributable cash flows. In determining future cash flows, the Group has also applied rates of growth to underlying operating assumptions to reflect the expected performance of the assets beyond the budget period in accordance with the respective concessions. The operating costs have been escalated in line with a combination of Consumer Price Index (CPI) and Average Weekly Earnings (AWE) forecasts. A long term CPI rate of 2.5 per cent (2009: 2.5 per cent) and AWE of 4.0 per cent (2009: 4.0 per cent) have been used.

17 Current liabilities - Trade and other payables

	30 June 2010 $'000	30 June 2009 $'000
Trade payables	**84**	345
Related party payables	**153,805**	94,876
Other payables	**7,966**	14,757
	161,855	109,978

18 Borrowings

	Notes	**30 June 2010 $'000**	30 June 2009 $'000
Current			
Term debt	(a)	**-**	515,500
		-	515,500
Non-current			
Term debt	(a)	**964,507**	457,739
Loans from related parties	(b)	**3,178,192**	3,149,573
		4,142,699	3,607,312
Total borrowings		**4,142,699**	4,122,812

18 Borrowings (continued)

Description of borrowings

(a) Term debt

The term debt facilities are comprised of a $515.0 million facility entered into by AMT Management Limited (as trustee for Airport Motorway Trust) and a $465.0 million facility entered into by Hills Motorway Management Limited (as trustee for Hills Motorway Trust). The facilities have deferred borrowing costs of $9.6 million and $5.9 million respectively.

The Airport Motorway facility was refinanced in July 2009 and is fully secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets. The facility is a non-recourse syndicated facility with terms of three years ($195.0 million), five years ($260.0 million) and seven years ($60.0 million). The current floating interest rate applicable to the facility is 7.6 per cent (2009: 4.0 per cent). The facility is fully hedged to an all-in rate after hedging of 8.4 per cent.

The Hills M2 facility is a non-recourse syndicated facility with terms of three years ($290.5 million) and five years ($174.5 million). The current floating interest rate applicable to the facility is 7.3 per cent (2009: 5.9 per cent). The facility is fully hedged to an all-in rate after hedging of 7.8 per cent.

(b) Loans from related parties

The Group receives funding from a related party, Transurban Finance Company Pty Ltd, which is used to finance its activities.

Covenants

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

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

In addition, the Group has a market capitalisation clause where gearing must not exceed 60%. Based on the balance sheet at 30 June 2010, the Group's Security price would need to close below $1.88 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

19 Current liabilities - Provisions

	30 June 2010 $'000	30 June 2009 $'000
Distribution to security holders	**169,816**	141,152
Distribution to non-controlling interests in subsidiaries	**27,662**	30,493
	197,478	171,645

The provision recognised in June 2009 was paid to security holders on 28 August 2009. The final 2010 distribution is payable on 27 August 2010.

Movements in provisions

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

	Distribution to security holders $'000	**Distribution to non-controlling interests in subsidiaries $'000**
Carrying amount at start of year	141,152	30,493
Provision recognised	324,566	11,613
Amounts paid / utilised during the year	(295,902)	(14,444)
Carrying amount at end of year	169,816	27,662

20 Other liabilities

	Notes	**30 June 2010 $'000**	30 June 2009 $'000
Current			
Unearned income (related parties)	(a)	**-**	17,269
Unearned income (other)	(a)	**-**	16
Payable for settlement of Citylink concession notes	(b)	**-**	61,795
		-	79,080
Non-current			
Promissory notes	(c)	**16,645**	10,613
		16,645	10,613
Total other liabilities		**16,645**	89,693

Description of other liabilities

(a) Unearned income

Unearned income related to rental income received in advance from a related party.

(b) Payable for settlement of Citylink concession notes

Transurban reached an agreement with the State of Victoria and Vic Roads to jointly fund upgrades and improvements to75 kilometres of the West Gate - CityLink (Southern Link) - Monash Freeway corridor. To fund the upgrade Transurban agreed to pay the State $614.3 million over three years in satisfaction of its current and future obligations to repay concession notes issued to the State.

The agreement effectively represents the termination of any future obligation to the State of Victoria by the Group by assigning the right to receive future concession payments made by CityLink Melbourne to Transurban Holding Trust. On a Group basis, the impact of concession notes on the balance sheet and income statement is nil, as the Group has a right of offset.

(c) Promissory notes

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

Promissory Notes have been included in the Financial Report as non-interest bearing liabilities 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 (2009: 12 per cent) which recognises their subordinated nature.

The face value of promissory Notes on issue at 30 June 2010 is $116.2 million (2009: $106.2 million). The Net Present Value at 30 June 2010 of the redemption payments relating to these Promissory Notes is $16.6 million (2009: $10.6 million).

21 Contributed equity

The issued units of the Trust are a component of a parcel of stapled securities, each parcel comprising one share in Transurban Holdings Limited, one unit in Transurban Holding Trust and one share in Transurban International Limited.

The individual securities comprising a parcel of stapled securities cannot be traded separately.

	2010 $'000	2009 $'000
Units on issue		
Ordinary units fully paid	**7,103,500**	6,692,365
	7,103,500	6,692,365

	2010 Number '000	2009 Number '000
Units on issue		
Ordinary units fully paid	**1,414,295**	1,281,363
	1,414,295	1,281,363

Trust units

The number of units on issue is 1,414,667,986 (2009: 1,282,682,606). The difference of 373,804 (2009: 1,319,606) relates to treasury securities.

Units entitle the holder to participate in distributions and the winding up of Transurban Holding Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of units present at a meeting in person or by proxy is entitled to one vote.

All units issued form part of the Transurban Group stapled securities issued. The amounts above represent the value apportioned to Transurban Holding Trust, with the remaining value apportioned to Transurban Holdings Limited and Transurban International Limited.

Capital risk management

The Group is subject to a gearing ratio covenant imposed by Senior Secured lenders. The Group monitors capital on the basis of the gearing ratio to ensure compliance with the covenant. There have been no breaches of the covenant. For further information refer to note 18.

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

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

21 Contributed equity (continued)

Movements in issued units

	Notes	Number of units '000	$'000
Opening balance at 1 July 2008		**1,218,263**	**6,507,180**
Distribution Reinvestment Plan	(a)	60,591	174,143
Purchase, disposal and vesting of treasury securities	(b)	679	4,993
Share purchase plan, net of transaction costs	(c)	1,830	6,049
Closing balance at 30 June 2009		**1,281,363**	**6,692,365**
Opening balance at 1 July 2009		**1,281,363**	**6,692,365**
Distribution reinvestment plan	(a)	14,069	44,460
Purchase, disposal and vesting of treasury securities	(b)	946	6,673
Equity raising, net of transaction costs	(d)	117,917	360,002
Closing balance at 30 June 2010		**1,414,295**	**7,103,500**

(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. Securities are to be issued under the plan at a 2.5 per cent discount to the market price for the 30 June 2010 distribution.

(b) Treasury Units

Stapled Securities (including units in the Trust) were issued to executives under Share Based Payment Plans. The stapled securities are held by the executive but will only vest in the executive in accordance with the terms of the plans. The acquired securities cannot be transferred or sold prior to vesting date. On forfeit the securities are sold on market.

(c) Share purchase plan

In the prior year, the Transurban Group raised $10.0 million via a share purchase plan, issuing 1.8 million stapled securities to eligible security holders. THT's share was $6.0 million, net of costs.

(d) Equity placement

Transurban raised $542.4 million via an equity raising, issuing 117.9 million stapled securities. THT's share was $360.0 million.

22 Reserves and accumulated losses

	30 June 2010 $'000	30 June 2009 $'000
Reserves		
Cash flow hedges	**(7,339)**	(4,653)
Share-based payments	**3,354**	4,323
	(3,985)	(330)
Movements:		
Cash flow hedges		
Balance 1 July	**(4,653)**	10,518
Revaluation - gross (note 14)	**(721)**	(25,622)
Transfer to net profit	**(2,634)**	8,963
Transfer to net profit attributable to minority interest	**669**	1,488
Balance 30 June	**(7,339)**	(4,653)
Share-based payments		
Balance 1 July	**4,323**	6,874
Employee share plan expense	**2,164**	738
Employee distribution	**63**	(70)
Transfer to equity (vested loan)	**(3,196)**	(3,219)
Balance 30 June	**3,354**	4,323

Accumulated losses

Movements in (accumulated losses) were as follows:

	30 June 2010 $'000	30 June 2009 $'000
Balance 1 July	**(1,701,315)**	(1,671,191)
Net profit/(loss) for the year	**294,256**	250,830
Distributions	**(324,566)**	(280,954)
Balance 30 June	**(1,731,625)**	(1,701,315)

Nature and purpose of reserves

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

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

23 Distributions

	30 June 2010 $'000	30 June 2009 $'000
Distributions proposed		
Final distribution payable and recognised as a liability: 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security payable 27 August 2010	**169,760**	141,095
	169,760	141,095
Final distribution for 2009 financial year of 11.0 cents (2008: 29.0 cents) per fully paid Stapled Security paid 28 August 2009	**141,095**	319,076
Interim distribution for 2010 financial year of 12.0 cents (2009: 11.0 cents) per fully paid Stapled Security paid 26 February 2010	**154,806**	140,041
Total dividends provided for or paid	**295,901**	459,117
Paid in cash	**230,451**	172,161
Executive loans - repayments	**65**	551
Satisfied by issue of Stapled Securities (a)	**65,381**	286,418
Funds available for future distribution reinvestment plans	**4**	(13)
	295,901	459,117

(a) The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust ($44.5 million), Transurban Holdings Limited ($15.0 million) and Transurban International Limited ($5.9 million).

24 Remuneration of auditors

The audit fee for the current and prior year has been borne and paid by a related party, Transurban Limited.

25 Contingencies

Contingent liabilities

The Group and parent entity had contingent liabilities at 30 June 2010 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 take five years and the tolling concession will operate for 75 years.

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

The Transurban Group owns 75 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% 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$133,064,838 had been paid at balance sheet date.

25 Contingencies (continued)

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

26 Intra-group guarantees

As at 30 June 2010, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security.

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

27 Commitments

Promissory Notes
The Responsible Entity, on behalf of the Hills Motorway Trust, has entered into an agreement with the Roads and Traffic Authority of New South Wales (“RTA”). Annual liabilities under this agreement total $7.0 million indexed annually to the Consumer Price Index over the estimated period that the Hills M2 Motorway will be used. Until such time as a threshold return is achieved, payments under this agreement can be made at the discretion of the Responsible Entity, by means of the issue of non-interest bearing promissory notes to the RTA. For further information refer to note 20.

28 Related party transactions

Other related parties

All of the directors of Transurban Infrastructure Management Limited are also directors of Transurban Holdings Limited. Mr Ryan and Mr Lynch are directors of Transurban International Limited. The following services are provided by the Trust to these consolidated entities:

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

Financial support is received from Transurban Finance Company in the form of an interest bearing loan. The Trust pays interest and related finance charges for such loan.

Transurban Infrastructure Management Limited is the Responsible Entity of Transurban Holding Trust, CityLink Trust and CARS Trust and receives Responsible Entity and Management Fees.

Aggregate amounts of each of the above types of other transactions with directors of Transurban Infrastructure Management Limited:

	30 June 2010 $	30 June 2009 $
Amounts recognised as revenue		
Rental income	**219,951,604**	215,771,599
Interest income	**324,407,165**	333,309,349
Term loan notes interest revenue	**78,789,621**	72,826,036
	623,148,390	621,906,984
Amounts recognised as expenses		
Interest and other related charges paid	**176,858,817**	202,455,835
Responsible Entity fees	**2,553,236**	2,504,646
	179,412,053	204,960,481

Aggregate amounts of related party receivables at balance date:

Current receivables	**568,063,115**	207,700,914
Term loan notes (loan to associate)	**678,044,167**	633,272,067
Non-current receivables	**5,501,610,391**	5,486,801,845
	6,747,717,673	6,327,774,826

Aggregate amounts of related party payables at balance date:

Current payables	**153,805,376**	94,876,246
Non-current payables	**3,178,191,878**	3,149,572,527
Unearned income	**-**	17,268,888
	3,331,997,254	3,261,717,661

Loan to/from related parties

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

28 Related party transactions (continued)

Loan to associate

The "loan to associate" is via Term Loan Notes ("TLN"). The TLN represent the Group's funding contribution to the Westlink Motorway Partnership and earn interest at a fixed rate of 11.93 per cent until the earlier of 34 years and the termination of the "Agreement to Lease" between the Roads and Traffic Authority of New South Wales and Westlink Motorway Limited.

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

The TLN have not been affected by equity accounting losses from the associate.

Terms and conditions of transactions with related parties other than key management personnel or entities related to them

All transactions were made on normal terms and conditions and at market rates.

29 Subsidiaries

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

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding**	
			2010 %	2009 %
The CityLink Trust	Australia	Ordinary	**100**	100
Transurban Finance Trust	Australia	Ordinary	**100**	100
Transurban AL Trust	Australia	Ordinary	**100**	100
Transurban CARS Trust	Australia	Ordinary	**100**	100
Transurban WSO Trust	Australia	Ordinary	**100**	100
Hills Motorway Trust	Australia	Ordinary	**100**	100
T (895) Finance Trust	Australia	Ordinary	**100**	100
Abigroup Westlink Partner Holding No.4 Pty Ltd	Australia	Ordinary	**100**	100
Abigroup Westlink Partner No.4 Pty Ltd	Australia	Ordinary	**100**	100
LMI Westlink Partner Holding No.4 Pty Ltd	Australia	Ordinary	**100**	100
LMI Westlink Partner No.4 Pty Ltd	Australia	Ordinary	**100**	100
Abigroup Westlink Partner Holding No.2 Pty Ltd	Australia	Ordinary	**100**	100
Abigroup Westlink Partner No.2 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner Holding No.2 Pty Limited	Australia	Ordinary	**100**	100
LMI Westlink Partner No.2 Pty Limited	Australia	Ordinary	**100**	100
Sydney Roads Trust	Australia	Ordinary	**100**	100
Eastern Distributor Funding Trust	Australia	Ordinary	**-**	100
Airport Motorway Trust	Australia	Ordinary	**75.10**	75.10
LCT-MRE Trust *	Australia	Ordinary	**100**	-

* Established on 7 May 2010.
** The proportion of ownership interest is equal to the proportion of voting power held.

30 Events occurring after the balance sheet date

Subsequent to the end of the financial year, the Group has completed the acquisition of the assets and motorway concession deed connected with the Lane Cove Tunnel in Sydney. The Group took control of the assets and concession deed on 10 August 2010. The acquisition was funded through cash on hand from a capital raising in May 2010 and external borrowings.

31 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	30 June 2010 $'000	30 June 2009 $'000
Profit for the year	**305,502**	263,753
Depreciation and amortisation	**92,106**	95,203
Share of net profits (losses) of equity accounted investments	**-**	7,556
Capitalised term loan note interest	**(44,772)**	(44,604)
Non-cash concession notes income	**(101,857)**	(50,332)
Distribution income	**-**	-
Non cash finance costs	**10,546**	67,031
Change in operating assets and liabilities	**-**	-
(Increase) decrease in receivables & prepayments	**(347)**	305
(Increase) in operating related party balances	**(92,944)**	(222,567)
Movement in current tax liabilities and deferred taxes	**(145)**	376
(Decrease) increase in payables	**(7,053)**	2,657
(Decrease) in unearned income	**(17,285)**	(17,436)
Increase (decrease) in Promissory Note liability	**6,032**	(2,360)
Net cash inflow from operating activities	**149,783**	99,582

32 Non-cash investing and financing activities

	30 June 2010 $'000	30 June 2009 $'000
Distributions satisfied by the issue of units under the distribution reinvestment plan	**44,460**	174,142
	44,460	174,142

33 Earnings per unit

	30 June 2010 Cents	30 June 2009 Cents
Basic earnings per unit		
Earnings from continuing operations attributable to the ordinary unit holder	**22.6**	19.8
Total basic earnings per unit attributable to the ordinary unit holders of the trust	**22.6**	19.8
Diluted earnings per unit		
Earnings from continuing operations attributable to the ordinary unit holder	**22.6**	19.8
Total diluted earnings per unit attributable to the ordinary unit holders of the trust	**22.6**	19.8

Reconciliations of earnings used in calculating earnings per unit

	30 June 2010 $'000	30 June 2009 $'000
Basic and diluted earnings per share		
Profit for the year	**305,502**	263,753
Profit attributable to non-controlling interests	**(11,246)**	(12,923)
Profit attributable to the ordinary unit holders of the trust used in calculating basic and diluted earnings per unit	**294,256**	250,830

Weighted average number of shares used as the denominator

	30 June 2010 Number	30 June 2009 Number
Weighted average number of units used in calculating basic and diluted earnings per unit	**1,301,035,941**	1,267,502,187
Adjustments for calculation of diluted earnings per unit:		
Performance rights	**2,750,885**	1,297,389
Weighted average number of ordinary units and potential ordinary units used as the denominator in calculating diluted earnings per unit	**1,303,786,826**	1,268,799,576

Basic earnings per unit

Basic earnings per unit is determined by dividing the profit attributable to unit holders excluding any non-controlling interest and costs of servicing equity other than distributions, by the weighted average number of units outstanding during the financial year.

Diluted earnings per unit

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

34 Parent entity financial information

Summary financial information

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

	30 June 2010 $'000	30 June 2009 $'000
Balance sheet		
Current assets	**779,105**	818,955
Non-current assets	**6,897,760**	6,417,783
Total assets	**7,676,865**	7,236,738
Current liabilities	**169,817**	210,351
Non-current liabilities	**1,989,922**	1,862,515
Total liabilities	**2,159,739**	2,072,866
Shareholders' equity		
Contributed equity	**7,103,500**	6,692,365
Reserves	**3,353**	4,323
Retained earnings	**(1,589,727)**	(1,532,816)
Minority interest	**-**	-
	5,517,126	5,163,872
Profit or loss for the year	**267,656**	292,078
Total comprehensive income	**267,656**	292,078

Contingent liabilities of the parent entity

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

35 Critical accounting estimates and judgements

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

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

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

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

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

Impairment of Assets
The Group tests whether its assets have suffered any impairment when an event occurs that indicates that this may be the case. The recoverable amount of any cash generating units have been determined based on the greater of value-in-use and fair value less cost to sell calculations. These calculations require the use of assumptions regarding traffic flows, discount rates, growth rates and other factors affecting operating activities.

36 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 cashflows, 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.

36 Financial risk management (continued)

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

	30 June 2010 USD $'000	30 June 2009 USD $'000
Consolidated		
Receivables	**336,666**	310,023
Borrowings	**(276,001)**	(233,255)
Net exposure	**60,665**	76,768

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 $7,474,000 lower (2009: $10,381,000 lower) or $9,461,000 higher (2009: $13,299,000 higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

Equity is not impacted by movements in foreign exchange. The Group's exposure to other foreign exchange movements is not material.

Cash flow interest rate risk
The Group's main exposure to interest rate risk arises from cash equivalents, loans and other receivables with variable interest rates, and long-term borrowings. Treasury manages interest rate risk by entering into fixed rate debt facilities or using interest rate swaps to convert floating rate debt. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100 per cent. Covenant requirements vary by debt facility, and require a minimum of between 50 per cent and 80 per cent of interest rate exposure to be hedged. At 30 June 2010, 100 per cent of the Group's interest rate exposure on variable rate borrowings was hedged.

As at the end of the reporting period, the Company had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2010		30 June 2009	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	**4.1 %**	**(4,177)**	2.9 %	(28,418)
Floating rate borrowings	**7.5 %**	**980,000**	4.7 %	1,075,321
Interest rate swaps (notional principal amount)	**4.8 %**	**(980,000)**	3.4 %	(851,625)
Net exposure to cash flow interest rate risk		**(4,177)**		195,278

An analysis by maturities is provided in liquidity risk below.

Sensitivity

At 30 June 2010, 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 $42,000 higher/lower (2009: $1,953,000 lower/higher).

36 Financial risk management (continued)

Credit risk

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

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

The Group's investment in the Westlink Motorway is through term loan notes (see note 13 for details). The return on these notes is ultimately dependent on the performance of the Motorway. The Group continually monitors the performance and expected cash flows of the Motorway.

Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. Treasury assesses liquidity over the short term (up to 12 months) and medium term (1 – 5 years) by maintaining accurate forecasts of operating expenses, committed capital expenditure and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

Short term liquidity is managed by maintaining a strategic liquidity reserve. This reserve is based on the Group's forecast annual operating costs and certain risk exposure scenarios as maintained by the Group's strategic risk register, and is maintained as cash and undrawn facilities. The reserve is maintained on a rolling 12 month basis. Medium term liquidity forecasting is maintained on a rolling 5 year horizon.

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

	Consolidated	
	2010	2009
	$'000	$'000
Floating rate		
Expiring within one year	**270,971**	111,156
Expiring beyond one year	**230,000**	305,179
	500,971	416,335

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

36 Financial risk management (continued)

Maturities of financial liabilities
The tables below analyse the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on their contractual maturities.
The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying Amount (assets)/ liabilities**
At 30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives								
Non-interest bearing	354,513	-	-	-	-	116,184	470,697	371,158
Variable rate	112,339	365,084	247,682	213,346	285,474	64,984	1,288,909	1,000,111
Fixed rate	189,821	489,821	546,821	399,321	370,006	2,123,185	4,118,975	3,142,588
Total non-derivatives	656,673	854,905	794,503	612,667	655,480	2,304,353	5,878,581	4,513,857
Derivatives								
Net settled (interest rate swaps)	5,932	3,266	3,070	(209)	222	71	12,352	9,495
Total derivatives	5,932	3,266	3,070	(209)	222	71	12,352	9,495

At 30 June 2009	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives								
Non-interest bearing	338,960	-	-	-	-	106,234	445,194	349,573
Variable rate	647,096	41,311	319,299	11,627	186,537	-	1,205,870	1,075,321
Fixed rate	349,934	190,184	490,184	545,684	146,309	2,397,212	4,119,507	3,047,491
Total non-derivatives	1,335,990	231,495	809,483	557,311	332,846	2,503,446	5,770,571	4,472,385
Derivatives								
Net settled (interest rate swaps)	12,216	1,876	(6,075)	(2,600)	(2,397)	-	3,020	2,386
Total derivatives	12,216	1,876	(6,075)	(2,600)	(2,397)	-	3,020	2,386

36 Financial risk management (continued)

Fair value measurements

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

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

As of 1 July 2009, Transurban Holding Trust has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

At 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	-	3,429	-	3,429
Total assets	-	3,429	-	3,429
Liabilities				
Derivatives used for hedging	-	12,924	-	12,924
Total liabilities	-	12,924	-	12,924

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

37 Key management personnel disclosures

Directors

With the exception of the changes noted below, the following persons were directors of Transurban Infrastructure Management Limited, the responsible entity of the Trust during the financial year:

(i) Executive directors

Christopher J Lynch

(ii) Non-executive directors

David J Ryan
Neil G Chatfield
Geoffrey O Cosgriff
Jeremy GA Davis
Robert J Edgar (appointed 21 July 2009)
Lindsay P Maxsted
Rodney Slater

Other key management personnel

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

B Bourke	Chief Operating Officer
D Cardiff	Group General Manager Human Resources (resigned 30 November 2009)
K Daley	President International Development
M Fletcher	Group General Manager Public Affairs
A Head	Group General Manager Strategy & Corporate Development
S Hogg	Acting Group General Manager, People, Legal and Governance
T Honan	Chief Financial Officer
M Kulper	President Transurban North America
E Mildwater	Chief Legal Counsel & Company Secretary

2010 REMUNERATION REPORT

INTRODUCTION

The Directors present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 for Transurban Holding Trust and its controlled entities for the year ended 30 June 2010. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001.* This report is for the Transurban Group as a whole (the Group). It is considered the most appropriate disclosure for the readers of the financial statements.

The Remuneration Report contains detailed information regarding the remuneration arrangements for the directors and senior executives who are the 'key management personnel' (KMP) of the Group. The KMP include the five highest remunerated executives of the Group for the year ended 30 June 2010, and are listed in the tables below:

37 Key management personnel disclosures (continued)

Senior Executives		**Non-Executive Directors**
Name	*Position*	*Name*
Chris Lynch	Executive Director, Chief Executive Officer (CEO)	David Ryan
Brendan Burke	Chief Operating Officer	Neil Chatfield
Tom Honan	Chief Financial Officer	Geoff Cosgriff
Elizabeth Mildwater	Chief Legal Counsel and Company Secretary	Jeremy Davis
Andrew Head	Group General Manager, Strategy and Development	Bob Edgar
Megan Fletcher	Group General Manager, Public Affairs	Lindsay Maxsted
Samantha Hogg[1]	Acting Group General Manager, People, Legal and Governance	Rodney Slater
David Cardiff[2]	Group General Manager, Human Resources	
Ken Daley	President, International Development	
Michael Kulper	President, Transurban North America	

1 *Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010. Upon her return she fulfilled the role of Group General Manager People, Legal and Governance for Elizabeth Mildwater who was on study leave.*
2 *David Cardiff resigned with effect from 30 November 2009.*

During the year ended 30 June 2010, the Board reviewed key aspects of the remuneration of the CEO and other senior executives, taking into account feedback received from security holders on the 2009 Remuneration Report. As a result of the review, certain changes were implemented. The Group also revised the format of the Remuneration Report in an effort to improve security holder understanding of its remuneration arrangements.

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

37 Key management personnel disclosures (continued)

REMUNERATION GOVERNANCE

Board and Remuneration Committee responsibility

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

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

Engagement of remuneration consultants

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

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

During the year ended 30 June 2010, market remuneration data was used to assist the Remuneration Committee in making decisions regarding non-executive director and senior executive remuneration. It was provided by Hay Group, an independent external consultant who were engaged by the Remuneration Committee.

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 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 whole ownership of CityLink in Melbourne, and the Hills M2 and Lane Cove Tunnel (control taken on 10 August 2010) in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1%), M5 (50.0%), and M7 (50.0%). In North America, the Group has interests in two assets, Pocahontas 895 (75%) and the Capital Beltway Express (67.5%), which is under construction in Northern Virginia.

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

The Group's remuneration strategy uses three critical measures of performance to align management and investors; total shareholder return (TSR), proportional net costs and proportional Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). TSR is a commonly utilised measure of company performance and this coupled with the other measures align with particular character of the Transurban Group. Further explanation of these measures and the rationale for their utilisation is outlined in sections 5 and 6. These measures, along with KPIs related to individual areas of accountability form the core elements of the Group's remuneration framework.

37 Key management personnel disclosures (continued)

CEO AND SENIOR EXECUTIVE REMUNERATION

1 REMUNERATION STRATEGY AND POLICY

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

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

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 rewards with individual and Group performance by:

- Making short term 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

Fixed Remuneration:

- 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'

Short Term Incentive:

- Cash rewards tied to pre-determined individual and Group annual performance measures.
- Individual targets reflect individual specific accountabilities and key drivers for growth and success.
- Group performance targets linked to earnings and cost management.

Long Term Incentive:

- Equity rewards to align executive and security holder interests.
- Vest after 3 years, subject to relative total security holder return and Group earnings growth.
- Encourages sustainable performance in the medium to longer term, and provides a retention element.

37 Key management personnel disclosures (continued)

2 RELATIVE WEIGHTINGS OF REMUNERATION

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

The relative weightings of the three remuneration components for the CEO and other senior executives are determined by the Board (on the advice of the Remuneration Committee) and are set out in the table below:

Relative weightings of remuneration components[1]

	% of total remuneration (annualised)		
	Fixed remuneration	Variable remuneration (performance-based)	
		STI	LTI
CEO	34	33	33
Other Senior Executives	50-56	25-22	25-22

1 *These figures do not reflect the relative value derived from each of the components, which is dependent on actual performance against targets for the variable components. This is discussed in sections 5 and 6 below. The above STI percentages are based on achieving 100% of the relevant performance targets. The above LTI percentages are based on the maximum LTI available to each executive if 100% of the awards granted vest.*

3 KEY CHANGES FOR THE YEAR ENDED 30 JUNE 2010

Following careful consideration by the Board, the following changes to various components of remuneration were implemented during the year ended 30 June 2010. In making these changes, the Board has sought to address the feedback received from security holders and other stakeholders. The Board has also taken into account the shift in corporate governance expectations regarding remuneration issues, whilst recognising the need to appropriately remunerate strong performance.

Change
Fixed remuneration
Salary freeze: A salary 'freeze' was instituted for the CEO and other senior executives, and the majority of employees on salaries of $200,000 or more, for the year ended 30 June 2010. Fixed remuneration increases for all employees averaged 2.2% during the same period. The Board approved the salary freeze in light of both an anticipated slowdown in the broader Australian economy and business objectives regarding cost reductions.
Variable remuneration - short term incentives (STIs)
CEO's STI: In the year ended 30 June 2009, as a one-off arrangement, the CEO had a guaranteed minimum annual STI payment of 50% of his annual TEC. This guarantee has ceased. For the year ended 30 June 2010 and future years, the CEO's STI is performance based and 100% at risk. There is no minimum guaranteed STI payment.
STI performance measures: For the year ended 30 June 2010, STI performance measures for the CEO and other senior executives consisted of: • individual key performance indicators (KPIs); • a shared senior executive KPI; and • Group performance measures based on proportional EBITDA (from the Group's audited financial statements) and cost management. The inclusion of a cost management target for STIs is a new initiative for the year ended 30 June 2010.

37 Key management personnel disclosures (continued)

Variable remuneration - long term incentives (LTIs)
Cessation of Executive Equity Plan (EEP): Grants under the Executive Equity Plan (EEP), which were made during the year ended 30 June 2009, have ceased. The EEP was used to achieve retention of key personnel during a period of transition for the business and is no longer required. All LTIs granted to the CEO and other senior executives during the year ended 30 June 2010 are subject to performance hurdles.
No retesting: LTIs in the form of Performance Awards granted in the year ended 30 June 2010 are tested once at the end of the 3 year performance period. No retesting of Performance Awards granted under the LTI plan is available.
Proportional EBITDA target: The Group's proportional EBITDA percentage growth rate is calculated based on EBITDA results included in the Group's audited financial statements and is adjusted for acquisitions and divestments that may occur during the performance period and is subject to Board approval. For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements. Following a review of the Group's LTI arrangements, the Board concluded that proportional EBITDA continues to best reflect the underlying performance of the Group and be an appropriate LTI performance measure. Performance hurdles for the proportional EBITDA measure have been increased to 6 - 9% compound growth (in actual proportional EBITDA results for the year ended 30 June 2009), for the 2010 LTI plan. This is a change from the 5 - 9% applied in the prior period. The 6-9% range was determined based on the Group's understanding of a range of business parameters including forecast on traffic growth, toll increases and operating costs.
Security holder approval of CEO LTIs: The Group intends to seek security holder approval of the CEO's LTI grant for the year ended 30 June 2011 at the 2010 Annual General Meeting. The Group considers seeking such approval to be good corporate governance practice. The LTI grants will be made under the CEO's employment agreement. Due to contractual arrangements, in the event that security holders fail to approve the proposed grant, a cash payment equivalent to the remuneration value of the LTI awards will be made to Mr Lynch subject to the terms and conditions of the LTU plan offered for the year ended 30 June 2011.

4 FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?
The remuneration for all senior executives is represented by total employment cost (TEC) comprising base salary, company superannuation contributions and benefits such as salary continuance, death and disability insurance. This amount of 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. In light of both an anticipated slowdown in the broader Australian economy and business objectives regarding cost reductions, the CEO recommended, and the Board approved, a salary 'freeze' for the CEO and other senior executives for the year ended 30 June 2010.
How is TEC determined?
TEC levels are reviewed annually by the Remuneration Committee at the beginning of each financial year by reference to relevant comparative compensation in the market, as well as each senior executive's performance. Independent remuneration consultants and surveys, internal considerations and market conditions also provide guidance. TEC is also reviewed upon promotion.

5 SHORT TERM INCENTIVE (STI)

What is the STI plan?
The STI plan is an annual cash incentive plan linked to specific pre-determined individual and Group performance measures set as a fixed percentage of TEC.
Who participates in the STI plan?

37 Key management personnel disclosures (continued)

All permanent Group employees including the CEO and other senior executives participate in the STI plan. Fixed term employees with tenure greater than two years are also eligible participants.

Why does the Board consider the STI an appropriate incentive for senior executives?

The STI plan puts a significant proportion of senior executive remuneration 'at risk' against meeting specific targets linked to the Group's business objectives. The STI plan focuses participants on achieving performance targets and provides incentive for high performance. This aligns executive interests with the Group's financial performance, as well as management principles and the cultural values of the Group.

What proportion of fixed remuneration does the STI plan represent?

For the year ended 30 June 2010, the CEO had a target STI opportunity of 100% of his annualised TEC. Other senior executives had a target STI opportunity of 40% - 50% of their annualised TEC.

What are the performance measures?

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

There were three categories of performance measures for the CEO and other senior executives for the year ended 30 June 2010. They are described below and were chosen to provide a balance between individual, Group, operational, strategic, financial and non-financial aspects of performance.

2010 STI performance measures for the CEO and other senior executives

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

The CEO's individual KPIs are set by the Board. All other senior executives individual KPIs and the shared senior executive KPI are set by the CEO and approved by the Board. The Board sets the Company performance targets.

37 Key management personnel disclosures (continued)

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

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

Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions.

Proportional EBITDA is one the primary measures that the Board uses to assess the operating performance of the Group. 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.

Unlike companies in some industries toll roads do not require any discretionary capital expenditure except in the occasional upgrade project such as the M1 upgrade. These are rigorously analysed as projects and incorporated in EBITDA targets once completed. Therefore, proportional EBITDA for Transurban captures the critical measure of performance that management can control.

Since 2009, proportional EBITDA has been used as a performance hurdle for both STIs and LTIs to ensure that the long term growth and activities of the Group are not sacrificed in the short term to achieve a desired operating result in a given year.

Proportional EBITDA figures used to assess performance are extracted from the financial statements which have been audited by PricewaterhouseCoopers.

The Board can decide to exclude specific items from Proportional EBITDA to provide an underlying result. These items reflect one-off, non-recurring items, both revenue and expenses, that will not contribute to the Group’s performance in future periods. Where they are not reflective of the Group’s ongoing operating performance, these one-offs are also excluded when determining performance incentives. For the year ended 30 June 2010 the Board has excluded corporate advisory costs incurred in advising the Board with respect of the joint change of control proposals made by CPPIB, OTPP and CP2 during the year ended 30 June 2010.

Why is proportional EBITDA a better performance measure than statutory EBITDA?

Proportional EBITDA provides a better reflection of the operating performance of the Group and the EBITDA generated from its portfolio. The presentation of proportional EBITDA permits a meaningful and appropriate analysis of the underlying performance of the Group's assets.

The EBITDA calculation from the statutory accounts would not include the operating performance of the M5, M7 or DRIVe (which are equity accounted in the statutory results). These assets are meaningful contributors to the Group's performance and it is therefore appropriate that they be included in the measure of executive performance.

What is the cost management measure and why does Transurban use it as a performance measure?

The cost management measure is based on proportional net costs. Proportional net costs are the operating, corporate and business development costs of the Group less non-toll revenues (fees and other). The deduction of these non-toll revenues from costs encourages and allows management to incur additional costs where these are justified by increased revenue results (e.g. toll collection activities such as video tolling and/or enforcement). The inclusion of a cost measure in Transurban's performance rewards reflects the fact that management has the ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and cash flow and ultimately security holder value. The year ended 30 June 2010 was the first year that proportional net costs have been used by the Group as a performance measure.

As with proportional EBITDA, in specific cases items are excluded from proportional net costs to provide underlying net costs. Underlying net costs are used when determining performance incentives. For the year ended 30 June 2010 the Board has excluded corporate advisory costs incurred in advising the Board with respect of the joint change of control proposals made by CPPIB, OTPP and CP2.

37 Key management personnel disclosures (continued)

What are the proportional EBITDA and proportional net cost targets for the year ended 30 June 2010?

The proportional EBITDA and proportional net cost targets for the year ended 30 June 2010 are set out in the table below:

Proportional EBITDA Target	Percentage of STU that vest*	Proportional net costs target
Actual proportional EBITDA result is below that for the year ended 30 June 2009	0%	Actual underlying proportional net costs are over budget for the year ended 30 June 2010
Actual proportional EBITDA result achieved is the same as for the year ended 30 June 2009	50%	Actual underlying proportional net costs on budget for the year ended 30 June 2010
Budgeted proportional EBITDA achieved for the year ended 30 June 2010	100%	Actual underling proportional net costs are 5% below the budgeted underlying proportional net costs for the year ended 30 June 2010
5% above the budgeted proportional EBITDA for the year ended 30 June 2010	150%	15% below the budgeted underlying proportional net costs for the year ended 30 June 2010

* straight line vesting applies between 50-150%

The targets were set against the year ended 30 June 2009 results (which include a full year of M4 contributions) and the 30 June 2010 budget.

How are the varying levels of performance achievement rewarded?

The STI targets are designed to differentiate and reward high performance.

50% of the available STI vests for on target performance, 100% vests for achievement of high performance and an additional 50% can be earned for outperformance. These targets are consistent for all of the Group's permanent employees.

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

How is performance assessed?

Individual KPIs

The CEO's performance is assessed by the Remuneration Committee which then makes recommendations to the Board.

Group performance targets

The performance of senior executives against the Group performance targets is assessed by the Board.

Shared senior executive KPIs

The CEO's performance, and the performance against the senior executive team's shared KPI, is assessed by the Remuneration Committee which then makes recommendations to the Board. These results are also independently reviewed.

Board approval

Once KPIs have been assessed, the Board approves STI amounts for payment, typically in August each year.

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

What if a senior executive ceases employment?

If the CEO's employment is terminated before STI targets are achieved, the CEO will receive the higher of pro rata target STI or actual performance.

37 Key management personnel disclosures (continued)

If a senior executive ceases employment with the Group before STI targets are achieved, the senior executive will generally not be entitled to receive any STI payment, unless otherwise determined by the Board.

What STIs did senior executives earn in 2010?

STI payments for the year ended 30 June 2010 are set out in the table below.

STIs awarded in respect of the year ended 30 June 2010

	Actual STI awarded [3]	Target STI paid	Target STI forfeited
Name	**$**	**%**	**%**
Chris Lynch	2,740,000	132	-
Brendan Bourke	432,400	118	-
Tom Honan	648,250	130	-
Elizabeth Mildwater	273,750	122	-
Andrew Head	271,300	136	-
Megan Fletcher	185,050	116	-
Samantha Hogg[1]	49,500	124	-
David Cardiff[2]	-	-	100
Ken Daley	471,200	126	-
Michael Kulper	725,390	124	-

1 *Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010. The actual STI awarded reflects a pro-rated payment.*
2 *David Cardiff resigned with effect from 30 November 2009.*
3 *The target level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI which would have been awarded in respect of the year ended 30 June 2010 was nil. The STI payments in respect of the year ended 30 June 2010 are paid in September 2010.*

6 LONG TERM INCENTIVE (LTI)

What is the purpose of the LTI program?

The LTI program aligns reward with security holder wealth by tying this component of executive remuneration to the achievement of performance conditions which underpin sustainable long term growth.

Who participates in the LTI program?

Participation in the LTI program is only offered to senior executives, and certain other senior managers approved by the Board.

What proportion of TEC was granted under LTI program in the year ended 30 June 2010?

For the year ended 30 June 2010, the CEO was offered an LTI grant equivalent to 100% of his annualised TEC. Other senior executives were offered grants representing approximately 40% - 50% of their annualised TEC.

All grants made to senior executives in the year ended 30 June 2010 are subject to performance conditions.

How is reward delivered under the LTI program?

LTI grants are delivered in the form of Performance Awards under the Group's Performance Awards Plan (PAP). Performance awards are offered at no cost to the participants. Each performance awards is an entitlement to receive a fully-paid Transurban security on terms and conditions determined by the Board, including the achievement of certain vesting conditions linked to performance over a three year period.

37 Key management personnel disclosures (continued)

If the vesting conditions are satisfied, the performance awards vest and Transurban securities will be delivered to the senior executive.

Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, it is the Board's current intention to settle any vested performance awards in Transurban securities.

What rights are attached to the performance awards?

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

What are the performance measures?

None of the participants derive actual value from their LTI grants unless performance hurdles are achieved.

Performance awards are subject to dual performance measures over a three year performance period:

- relative total security holder return (TSR); and
- growth in proportional EBITDA.

Each condition applies to 50% of the available LTI award.

What are the performance hurdles?

Relative TSR

The relative TSR component of the performance awards will vest if the Group's relative TSR performance is at least above the median of the S&P/ASX100 group of companies at the end of the three year performance period, in accordance with the following table:

TSR vesting schedule

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

Proportional EBITDA

The percentage of performance awards that will vest will depend on the Group's percentage compound proportional EBITDA growth over a three financial year performance period including on a part-year basis. The measure will be adjusted to include or exclude the relevant EBITDA from acquisitions and divestments that may occur during the performance period. The proportional EBITDA vesting schedule is set out below:

Since 2009, proportional EBITDA has been used as a performance measure in both the LTI and STI plans. This measure is effective for the STI plan as it maintains a focus on the Group's operating results and associated cash generation. Proportional EBITDA also acts to ensure that the long term growth and activities of the Group are not sacrificed in the short term to achieve a desired operating result in a given year and therefore it is also the measure utilised for the LTI plan.

The movement in proportional EBITDA best reflects Transurban's underlying business performance and its goal of long term sustainable growth in earnings from existing operations. In addition, there are many aspects of proportional EBITDA that management can influence to drive improvements in short term earnings.

37 Key management personnel disclosures (continued)

Proportional EBITDA vesting schedule

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

Why have these performance measures been chosen?

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

The proportional EBITDA hurdle provides evidence of the Group's growth in earnings and is linked to the Group's overall strategic objectives.

Why does the Board think that the S&P/ASX 100 index is an appropriate comparator group?

The S&P/ASX100 comparator group was chosen due to a lack of publicly listed companies in the toll road sector in Australia.

Additionally, this Group reflects Transurban's competitors for security holder capital and talent. As each of the ASX100 companies are subject to similar challenges, opportunities and market sentiment, the Group's performance in comparison to that of these companies should more fairly reflect the strength of the Group's performance.

How are the performance hurdles measured?

Relative TSR

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

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

Proportional EBITDA

The Group's proportional EBITDA percentage growth rate is calculated based on EBITDA results included in the Group's audited financial statements and is adjusted for acquisitions and divestments that may occur during the performance period and is subject to Board approval. For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements.

What if a Senior Executive ceases employment?

If the CEO ceases employment with the Group before the performance condition is tested, then he is entitled to retain any unvested performance awards, which will vest in accordance with the performance conditions under the LTI plan as at the time of grant.

If senior executives cease employment with the Group before the performance condition is tested, then their unvested performance awards will lapse, unless the Board determines otherwise.

What happens in the event of a change in control?

LTIs form part of the CEO and senior executives' remuneration. In the event of a takeover or change of control of the Group, any unvested Performance Awards will automatically vest.

Performance awards that vest following a change of control will not generally be subject to restrictions on dealing.

37 Key management personnel disclosures (continued)

What was the grant, movement in the number and value of Performance Awards by Senior Executives during the year ended 30 June 2010?
These are summarised in the tables below.

Performance Awards granted in the year ended 30 June 2010

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date[1]	VWAP at grant date
			$	$
TSR	11-Dec-09	11-Dec-12	3.33	5.55
EBITDA	11-Dec-09	11-Dec-12	4.97	5.55

1 *The fair value was calculated as at the grant date of 11 December 2009.*

Performance Awards granted in the year ended 30 June 2010

	Number of performance awards granted [3]	Value at grant date	Maximum total value of grant yet to vest [4]
Name		**$**	**$**
Chris Lynch	617,211	2,561,424	2,561,424
Brendan Bourke	109,050	452,559	452,559
Tom Honan	148,368	615,727	615,727
Elizabeth Mildwater	66,766	277,077	277,077
Andrew Head	59,347	246,291	246,291
Megan Fletcher	47,478	197,033	197,033
Samantha Hogg[1]	47,478	197,033	197,033
David Cardiff[2]	-	-	-
Ken Daley	111,276	461,795	461,795
Michael Kulper	161,956	672,118	672,118

Performance Awards vest subject to performance over the period from 11 December 2009 through to 11 December 2012.

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

1 *Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010.*
2 *David Cardiff resigned with effect from 30 November 2009.*
3 *The grants made to senior executives constituted their full LTI entitlement for the year ended 30 June 2010 and were made on 11 December 2009 on the terms summarised above.*
4 *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 conditions are not met, is nil.*

37 Key management personnel disclosures (continued)

7 OTHER EQUITY PLANS

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

ShareLink Incentive Plan

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

Eligible employees received a grant of 100 securities at no cost to them on 5 February 2010. 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 past performance and is not intended to serve as a future incentive, there are no performance conditions attached to grants of securities or cash payments under the plan.

ShareLink Investment Tax Exempt Plan

This plan provides eligible employees the opportunity to invest in Transurban securities, on a tax-exempt basis, up to $1,000 per annum, of which half is contributed by the Group and half is contributed by the employee through salary sacrifice. All permanent employees are eligible to participate in this plan. For the year ended 30 June 2010, securities were acquired by plan participants on 26 March 2010 and 18 June 2010.

Grants of securities under this plan are designed to encourage employee security holdings and to align the interests of employees with the Group and therefore are not subject to performance conditions.

ShareLink Investment Tax Deferred Plan

This plan was suspended in May 2009 due to proposed changes in tax legislation governing employee share plans in Australia. This plan was reviewed and a new offer was made to eligible employees during the year ended 30 June 2010 and will take effect in the year ended 30 June 2011.

This plan now provides eligible employees with the opportunity to invest in Transurban securities, on a salary sacrifice basis, up to $5,000 per annum. Participants also receive up to $3,000 of matching component from the Group. The plan has a maximum disposal restriction period of three years including a twelve month forfeiture period.

Equity grants under this plan are designed to encourage employee security holding and to align the interests of employees with the Group and therefore are not subject to performance conditions.

37 Key management personnel disclosures (continued)

8 LEGACY LTI PLANS

There are a number of legacy LTI plans that are no longer offered to new entrants but which have existing participants. Details of these plans are in the following tables.

2007 Executive Loan Plan (ELP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)

Plan Terms and Conditions

Grant date:	1 Nov 2006
Vesting date:	1 Nov 2009
Expiry date:	31 Dec 2009
Grant price:	$7.28
Value per unit at grant date:	$1.37

Details of Plan

Australian participants were granted Transurban securities purchased using interest free loans provided by the Group. These securities vest in the participants subject to meeting the stipulated performance condition. Outstanding loans are repaid upon vesting.

Overseas participants were granted performance rights which provided for cash payments upon vesting, subject to meeting the stipulated performance condition.

Performance Hurdles

TSR vesting schedule

Relative TSR ranking in the comparator group	% of awards that vest
At or below the 50th percentile	Nil
Above the 50th percentage but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Result (movements in plan for the year ended 30 June 2010)

The 2007 award matured on 1 November 2009. No awards vested as the prescribed performance condition was not met. The following Transurban securities and performance rights lapsed during the year ended 30 June:

B Bourke (160,000)

D Cardiff (35,000)

A Head (22,500)

K Daley (100,000)

M Fletcher (15,000)

M Kulper (100,000)

The value of the securities which lapsed during the year, based on the original loan was:

B Bourke $987,854

D Cardiff $216,090

37 Key management personnel disclosures (continued)

A Head $138,913

The value of performance rights for overseas participants which lapsed during the year was:

K Daley $137,000

M Fletcher $20,550

M Kulper $137,000

2008 Performance Rights Plan (PRP) (Performance Rights for Australian and overseas participants)

Plan Terms and Conditions

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

Details of Plan

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

Overseas participants were granted performance rights which provided for cash payments upon vesting, subject to meeting the stipulated performance conditions.

Performance Hurdles

For Australian participants, the Plan has two performance measures, statutory EBITDA and relative TSR against the S&P/ASX 100 Industrials, each applied to 50% of the awards.

For overseas participants, the Plan has two performance measures, DRIVe management fee growth and relative TSR against the S&P/ASX 100 Index, each applied to 50% of the awards.

The TSR vesting schedule is as per the above table.

Statutory EBITDA and DRIVe management fee vesting schedule*

% compound statutory EBITDA annual growth	**% of awards that vest**
10%	50%
Between 10% and 15%	Straight line vesting between 50-100%
15% or more	100%
% compound growth of the DRIVe management fee	**% of awards that vest**
20%	50%
Between 20% and 25%	Straight line vesting between 50-100%
25%	10%

Result (movements in plan for the year ended 30 June 2010)

8,401 performance rights were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed Rights was $39,737. The Board exercised its discretion in awarding D Cardiff, on a pro-rata basis, 19,027 performance rights to be vested post employment subject to the terms and conditions of the plan.

37 Key management personnel disclosures (continued)

2009 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan Terms and Conditions

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

Details of Plan

Participants were granted performance rights that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance conditions. The Board has discretion to award cash payments to equivalent value upon vesting.

Performance hurdles

The plan has two performance measures, proportional EBITDA and relative TSR against the S&P/ASX 100, each applied to 50% of the awards.

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

The TSR vesting schedule is as per the above table.

Proportional EBITDA vesting schedule

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

Result (movements in plan for the year ended 30 June 2010)

The table below sets out the performance hurdles achieved over the testing period, the vesting scale, banked Awards and Awards to be carried forward for tranche 2 for testing.

Performance measure	Number of awards subject to testing	Testing period	Vesting scale	Number of awards banked in tranche 1	Number of awards to be carried forward to tranche 2
			$	$	$
TSR	219,048	31 Oct 2008 to 30 Oct 2009	0%	-	219,048
Proportional EBITDA	219,048	Year ended 30 June 2009	83%	181,810	37,238

29,749 performance awards were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed Awards was $112,600.

The Board exercised its discretion in awarding D Cardiff, on a pro-rata basis, 16,763 Performance Awards to be vested post employment, subject to the terms and conditions of the plan.

37 Key management personnel disclosures (continued)

2009 Executive Equity Plan (EEP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)	
Plan terms and conditions	
Grant date:	1 Nov 2008
Vesting date:	1 Nov 2011
Grant price:	$5.22
Value per unit at grant date:	$4.27
Details of plan	
Australian participants received a grant of Transurban securities at no cost subject to disposal restrictions for three years from the grant date. Executives based outside Australia receive a grant of performance rights at no cost which entitles participants to receive Transurban securities which vest at the end of the vesting period of three years.	
Performance Hurdles	
Vesting is based on service during the three year performance period.	
Result (movements in plan for the year ended 30 June 2010)	
19,146 Transurban securities were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed securities was $104,729.	

9 DEALINGS IN SECURITIES

In accordance with Transurban's Dealing in Securities Policy, employees who have performance awards under an LTI plan may not hedge against those rights until they have vested. Employees may hedge after vesting if the hedge is both initiated in and arranged so that the specified exercise date falls within an open period.

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

37 Key management personnel disclosures (continued)

10 REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

Remuneration of key management personnel, who included the five highest paid executives of the Group. All values are in Australian dollars unless otherwise stated.

Remuneration for the years ended 30 June 2010 and 30 June 2009

	Short-term employee benefits				Post-employment benefits	Long term benefits	Termination benefits	Share based benefits[2]			Total
	Cash salary and fees	Value of equities acquired in lieu of cash salary/fees	Cash Bonus[1]	Non-monetary benefits	Superannuation	Long service leave		2007 ELP	2008 PRP/2009 & 2010 PAP	2009 EEP	
Executive director											
C Lynch											
2010	**2,030,860**	**-**	**2,740,000**	**6,049**	**50,000**	**-**	**-**	**-**	**1,079,488**	**113,261**	**6,019,658**
2009	1,980,839	-	2,800,000	36,881	100,000	-	-	-	404,265	75,093	5,397,078
Other key management personnel											
B Bourke											
2010	**687,093**	**-**	**432,400**	**6,049**	**49,107**	**13,148**	**-**	**24,800**	**346,315**	**132,046**	**1,690,958**
2009	635,976	-	329,800	7,845	100,241	15,913	-	88,498	217,564	18,051	1,413,888
D Cardiff[3]											
2010	**157,544**	**-**	**-**	**-**	**10,420**	**4,443**	**268,637**	**5,425**	**(65,233)**	**(29,389)**	**351,847**
2009	344,033	-	314,500	-	57,042	16,198	-	20,303	82,038	18,051	852,165
K Daley[4]											
2010	**706,407**	**-**	**1,271,200**	**53,677**	**49,004**	**14,168**	**-**	**-**	**280,674**	**27,226**	**2,402,356**
2009	658,635	-	383,400	97,354	94,694	46,917	-	-	181,986	18,051	1,481,037
M Fletcher											
2010	**296,196**	**-**	**185,050**	**-**	**24,481**	**11,697**	**-**	**-**	**95,895**	**27,226**	**640,545**
2009	274,381	-	163,600	6,301	28,319	15,327	-	1,679	47,003	18,051	554,661
A Head											
2010	**376,772**	**-**	**271,300**	**-**	**24,330**	**15,080**	**-**	**3,488**	**127,201**	**27,226**	**845,397**
2009	368,033	-	204,500	-	33,042	16,419	-	12,850	62,254	18,051	715,149
S Hogg											
2010	**134,569**	**-**	**49,500**	**-**	**11,292**	**-**	**-**	**-**	**65,449**	**21,780**	**282,590**
2009	355,355	-	170,000	-	31,900	-	-	-	19,436	14,440	591,131
T Honan[5]											
2010	**976,396**	**-**	**648,250**	**-**	**25,000**	**-**	**-**	**-**	**406,064**	**121,547**	**2,177,257**
2009	690,950	250,000	1,750,000	-	36,226	-	-	-	194,358	36,103	2,957,637
M Kulper											
2010	**1,126,355**	**-**	**725,390**	**-**	**8,729**	**52,446**	**-**	**-**	**415,367**	**34,049**	**2,362,336**
2009	1,235,047	-	630,022	-	110,949	72,102	-	-	244,528	22,575	2,315,223
E Mildwater											
2010	**410,093**	**-**	**273,750**	**-**	**24,330**	**-**	**-**	**-**	**87,458**	**27,226**	**822,857**
2009	322,142	-	217,000	-	28,911	-	-	-	24,295	18,051	610,399
Total											
2010	**6,902,285**	**-**	**6,596,840**	**65,775**	**276,693**	**110,982**	**268,637**	**33,713**	**2,838,678**	**502,198**	**17,595,801**
2009	6,865,391	250,000	6,962,822	148,381	621,324	182,876	-	123,330	1,477,727	256,517	16,888,368

37 Key management personnel disclosures (continued)

Notes:

1 *The amount represents cash STI payments to the senior executive for the year ended 30 June 2010, which are paid in September 2010.*
2 *In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards awarded under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of Performance Awards at the date of their grant has been determined in accordance with AASB 2 applying a Black-Scholes valuation method.*
3 *An ex-gratia payment of $268,637 was made to David Cardiff upon resignation in recognition of his contribution in the period of business transition.*
4 *Ken Daley's cash bonus includes his STI payment as per note 1 above of $471,200 as well as a payment of $800,000 as part of his service agreement as noted in section 11 below.*

5 *Tom Honan elected to receive part of his sign-on award in Transurban securities which were purchased on market.*

11 SERVICE AGREEMENTS

The remuneration and other terms of employment for the CEO and other senior executives are formalised in service agreements which have no specified term. Each of these agreements provides for access to performance-related STIs and other prescribed benefits. Although not specified in agreements, the CEO and other senior executives are eligible to participate in the LTI plan (or equivalent cash plans for those executives located outside Australia).

Some key aspects of the agreements are outlined below:

	Period of notice to terminate (executive)	Period of notice to terminate (the Company)*
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.

Pursuant to his service contract, a cash payment of $800,000 was made to Ken Daley. This reflects 80% achievement of the stipulated performance criteria under a performance incentive arrangement.

LINK BETWEEN COMPANY PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The remuneration of the CEO and other senior executives is linked to the performance of the Group through the use of incentive hurdles based on the operating performance of the business for both short and long term incentives, as noted below.

1 GROUP PERFORMANCE AND STI

25% of executive short term incentives are determined with reference to Proportional EBITDA and 25% with reference to Net Costs as discussed on page 184. This aligns the executive's interests with the Group's financial performance.

Proportional EBITDA

The underlying proportional EBITDA result for the year ended 30 June 2010 was $635.4 million, an 8.9% increase from the prior year result. The year ended 30 June 2010 result exceeded budget by 5.4%, allowing the payment of 150% of STIs attributable to proportional EBITDA. The proportional EBITDA result was driven by the Group's continued focus on cost control and the performance of the asset portfolio, characterised by strong traffic volumes on all Australian assets, particularly Melbourne's CityLink following the completion of the Southern Link Upgrade.

37 Key management personnel disclosures (continued)

Proportional net costs

The underlying proportional net cost result for the year ended 30 June 2010 was $174.3 million. This represents a decrease from the year ended 30 June 2009 of 10.8%, resulting in the payment of 139.2% of STIs attributable to proportional net costs. As with proportional EBITDA, the Group's continued focus on cost management resulted in a decrease in the cost base across operational, corporate and business development costs. A number of value initiatives implemented have also contributed to the cost reductions with developments in revenue collection also contributing to overall net costs through improved fee revenue.

Safety

In 2010, the safety performance measure applied to senior executives resulted in the payment of 114% of the eligible short term incentive. The hurdle included three components as discussed on page 185 of which a reduction in lost time injury frequency rates was one element. In the year ended 30 June 2010 lost time injury frequency rates decreased from 6.94 to 3.64.

2 GROUP PERFORMANCE AND LTI

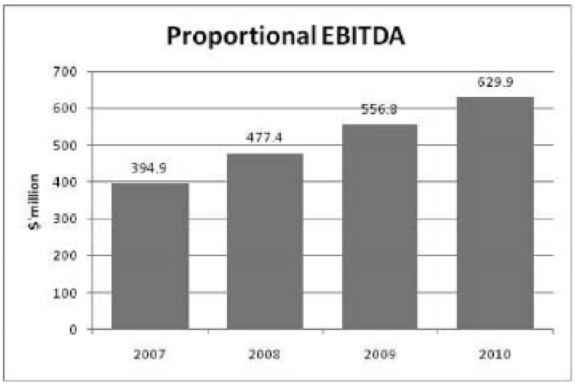
Long Term Incentives are linked to proportional EBITDA and relative TSR.

The performance hurdles for the current plans are outlined on page 188 - 192.

Proportional EBITDA

The performance hurdle for proportional EBITDA of between 6% and 9% is considered appropriately target in the current economic climate and for the anticipated level of organic growth in a mature toll road portfolio. Ring fencing arrangements mean that only the existing portfolio of assets contribute to the calculation.

In general, long term incentive hurdles are based on cumulative performance in relation to proportional EBITDA over preceding years. The following graph shows the growth in proportional EBITDA since 2007. This growth is driven by increased traffic volumes and revenue collection processes and more specifically cost control that has been a focus of the Group since 2008.



1. the result for the year ended 30 June 2010 includes the M4 until 15 February 2010 when the concession deed ended.

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

Long term incentive plan	Company Compound growth as at 30 June 2010
Performance Rights Plan 2008	7%
Performance US Cash Rights Plan 2008	-
Performance Awards Plan 2009	9%
Performance Awards Plan 2010	12%

37 Key management personnel disclosures (continued)

TSR performance

The table below summarises the relative TSR performance over the Performance Period to date in respect of unvested long term incentives.

Long term incentive plan	Company TSR as at 30 June 2010	Indicative percentile rank
Performance Rights Plan 2008	(26.3)%	60.7%
Performance US Cash Rights Plan 2008	(26.3)%	60.7%
Performance Awards Plan 2009	(8.7)%	22.4%
Performance Awards Plan 2010	(18.1)%	14.6%

37 Key management personnel disclosures (continued)

NON-EXECUTIVE DIRECTOR REMUNERATION

1 REMUNERATION POLICY

The Group's non-executive director remuneration policy as set by the Board is summarised below:

Aggregate remuneration is approved by security holders
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 for non-executive directors of $2,100,000 per year (excluding the superannuation guarantee levy) was approved by security holders at the 2007 Annual General Meeting. The Board intends to seek security holder approval at the 2010 AGM to increase the aggregate fee pool for non-executive directors. The key reasons for the proposed increase are to provide the Board with the strategic flexibility to make additional non-executive director appointments and to facilitate orderly Board succession planning.
Fees are set by reference to key considerations
The aggregate fee pool for non-executive directors and the manner in which it is apportioned amongst the non-executive directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board after taking into consideration a number of relevant factors including: • the responsibilities and risks attached to the role of non-executive director; • the time commitment expected of non-executive directors; • the fees paid by peer companies to non-executive directors; and • benchmark data provided by independent external advisors.
Remuneration is structured to preserve independence whilst creating alignment
The remuneration of non-executive directors consists of base (director) fees and Committee fees. To preserve independence and impartiality, no element of non-executive director remuneration is 'at risk'. In other words, it is not based on the performance of the Group.
Retirement benefits
In September 2005, the Board resolved to discontinue previously provided retirement benefits for non-executive directors with effect from 30 September 2005. The value of benefits accrued up to this date attracts interest at the statutory fringe benefits rate. Accrued 'frozen' retirement benefits plus interest will be paid to Geoff Cosgriff and Jeremy Davis on their retirement from the Board. No other current directors are entitled to any retirement benefits. Cumulatively an amount of $605,725 (2009: $565,178) has been provided as at 30 June 2010 and $40,547 (2009: $64,388) expensed in the current year. Retirement benefits of $nil (2009: $405,134) were paid out in the current year.
Remuneration review
The Remuneration Committee and the Board annually reviews its approach to non-executive director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance. Independent external consultants are commissioned from time to time to attain relevant information.

37 Key management personnel disclosures (continued)

2 COMPONENTS OF NON-EXECUTIVE DIRECTORS REMUNERATION

Director / Committee fees*

Current base (director) fees per year are:

- $455,000 for the Chairman and $170,000 for other non-executive directors.

Current Committee fees* per year are:

- $40,000 for chair of the Audit and Risk Committee and $20,000 for members of that committee;
- $25,000 for chair of the Remuneration Committee and $20,000 for members of that committee;
- $25,000 for chair of the Sustainability Committee and $15,000 for members of that committee[1]; and
- $10,000 for chair of the Nomination Committee and $10,000 for members of that committee.

** The Chairman does not receive any additional fees for his Committee responsibilities.*

The fees as outlined above took effect on 1 January 2010 following an independent review of non-executive director and Committee fees by an external remuneration consultant. The decision to increase fees was based on the following factors:

- the length of time since the last increase (October 2006 for the Chair and October 2005 for other non-executive directors);
- benchmarking data from relevant comparator groups; and
- alignment of fees with a revised Committee structure.

Other fees / benefits

Certain non-executive directors were entitled to retirement benefits, however, the retirement benefits plan was frozen on 30 September 2005 and no further benefits have been provided under that plan since that date.

Non-executive directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during the year.

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.

Post-employment benefits*

Superannuation contributions are made on behalf of the non-executive directors at a rate of 9%, which satisfies the Company's statutory superannuation obligations.

** Director and committee fees are included in the security holder approved cap.*

1. As of 11 August 2010, the Sustainability Committee is no longer a separate committee of the Board. Sustainability is considered by the Board to be embedded in Transurban's business and business practices, and the Board has responsibility for sustainability oversight.

Under the ShareLink Investment Tax Deferred Plan, non-executive directors are able to sacrifice up to 50% of their pre-tax fees to acquire Transurban securities through a tax deferred arrangement. The plan was suspended in May 2009 due to the proposed changes to tax arrangements on share plans. No offers or purchases were made under the plan during the year ended 30 June 2010. Following a review of the plan, eligible participants (including non-executive directors) have the opportunity to invest in Transurban securities up to $5,000 per annum. The offer for the year ending 30 June 2011 was made to eligible employees and non-executive directors on 1 June 2010. No non-executive directors currently participate in the plan.

The Group conducted a review of the Tax Deferred Plan following the passing of the tax legislation on 14 December 2009. The offer for the 2010/11 financial year was made to eligible employees and the non-executive directors on 1 June 2010.

37 Key management personnel disclosures (continued)

3 REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of non-executive directors' remuneration for the years ended 30 June 2010 and 30 June 2009 are set out in the table below.

Non-executive director remuneration for the years ended 30 June 2010 and 30 June 2009

	Short-term employee benefits		Post-employment benefits	Total
	Fees	Superannuation Contributions[1]	Retirement benefits[2]	
Current non-executive directors				
David Ryan				
2010	**401,546**	**36,139**	**-**	**437,685**
2009	385,306	34,694	-	420,000
Neil Chatfield				
2010	**167,818**	**15,104**	**-**	**182,922**
2009	51,035	4,593	-	55,628
Geoff Cosgriff				
2010	**171,880**	**15,469**	**15,210**	**202,559**
2009	165,131	14,869	14,192	194,192
Jeremy Davis				
2010	**175,084**	**22,500**	**25,338**	**222,922**
2009	158,760	24,000	23,642	206,402
Bob Edgar				
2010	**155,739**	**14,016**	**-**	**169,755**
2009	-	-	-	-
Lindsay Maxsted				
2010	**194,826**	**17,534**	**-**	**212,360**
2009	174,399	15,696	-	190,095
Rodney Slater				
2010	**125,975**	**10,932**	**-**	**136,907**
2009	4,098	-	-	4,098
Jennifer Eve				
2010	**77,315**	**-**	**-**	**77,315**
2009	47,030	-	-	47,030
James Keyes				
2010	39,597	-	-	39,597
2009	47,030	-	-	47,030
Former non-executive directors				
Susan Oliver[3]				
2010	**-**	**-**	**-**	**-**
2009	166,367	14,973	26,554	207,894
Chris Renwick				
2010	**-**	**-**	**-**	**-**
2009	119,293	56,778	-	176,071
Total				
2010	**1,509,780**	**131,694**	**40,548**	**1,682,022**
2009	1,318,449	165,603	64,388	1,548,440

37 Key management personnel disclosures (continued)

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

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

3 *Susan Oliver retired on 22 June 2009 and received payment of $405,134 in retirement benefits.*

GLOSSARY OF TERMS

Term	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Proportional EBITDA	EBITDA calculated based on percentage of Transurban asset ownership as follows: CityLink (100%), Hills M2 (100%), Roam (100%), Tollaust (100%), M1 Eastern Distributor (75.1%), M4 (50.61%), M5 (50%), M7 (50%) and DRIVe (75% including 67.5% of Capital Beltway Express and 75% of Pocahontas 895). The proportional EBITDA result is included in the audited financial statements.
Statutory EBITDA	100% of the EBITDA from controlled entities (CityLink, Hills M2, M1 Eastern Distributor, M4, Roam, Tollaust) regardless of Transurban's ownership. It excludes the EBITDA contribution from non-controlled interests (M5 Motorway, Westlink M7 and DRIVe)
Net Costs	Net costs include the operating, corporate and business development costs of the Group less non-toll revenues (fees and other).
Total employment cost (TEC)	Base salary and other benefits including superannuation paid to an executive
Short term incentive (STI)	An 'at' risk component of executive remuneration under which a cash reward may be payable based on achievement of individual and Group performance measures.
Long term incentive (LTI)	An 'at' risk component of executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance conditions
Relative total share holder return (TSR)	TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income which was reinvested on a pre-tax basis. Relative TSR measures the return on investment of a company relative to a peer group of companies. Relative TSR is one of the performance measures in determining the vesting of Transurban LTI program.

In the directors' opinion:

(a) the financial statements and notes set out on pages 136 to 204 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 2010 and of its performance for the financial year ended on that date.

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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of the directors.

David J Ryan
Director

Christopher J Lynch
Director

Melbourne
12 August 2010

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of Transurban Holding Trust

Report on the financial report

We have audited the accompanying financial report of Transurban Holding Trust (the Trust), which comprises the balance sheet as at 30 June 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban Holding Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

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

Independent audit report to the members of Transurban Holding Trust (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Transurban Holding Trust is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

John Yeoman
Partner

Melbourne
12 August 2010

Transurban International Limited and Controlled Entities

ARBN 121 746 825

Annual financial report for the year ended 30 June 2010

Transurban International Limited ARBN 121 746 825
Annual financial report - 30 June 2010

Contents

Directors' report

The directors of Transurban International Limited present their report on the consolidated entity (and referred to as "the Group") consisting of Transurban International Limited (TIL) and the entities it controlled at the end of, or during, the year ended 30 June 2010.

TIL forms part of the Transurban Group. The securities of the entities comprising Transurban Group are stapled. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holdings Trust. None of the components of the Stapled Security can be traded separately.

Directors

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

Non-executive Directors

David J Ryan AO

Jennifer S Eve

James M Keyes

Executive Director

Christopher J Lynch

Principal activities

During the year the Group's principal activity was providing management services to, and acting as the holding entity of, the Transurban Group's investment in Transurban DRIVe Holdings LLC (DRIVe), an unlisted co-investment vehicle which invests in existing and new toll roads and similar or related opportunities in North America. TIL currently holds a 75 per cent interest in DRIVe.

Dividends

No dividends were declared or paid during the financial year.

Review of operations

The consolidated net loss for the year ended for the Group was $34,112,000 (2009: $39,701,000).

Key highlights for the Group's during the period were as follows:

Pocahontas 895 (Virginia USA)
Toll revenue for Pocahontas 895 was US$13.8m, a decrease of 0.7 per cent on the prior corresponding period. The conditions in the Richmond economy drove under performance in traffic and revenue in the current year.

Construction on the Richmond Airport Connector continued during the year ended 30 June 2010 and is expected to be completed in 2011. Pocahontas 895 also commenced the installation process for a new Electronic Toll System to improve revenue capture and recovery.

Capital Beltway Express (Virginia USA)
Construction on the Capital Beltway (I-495) High Occupancy Toll (HOT) lane project is now over 40 per cent complete. The project remains on target for completion in late 2012, with first tolls expected in 2013.

The business case behind the Capital Beltway project remains strong with the corridor being one of the three most heavily congested roads in the US and economic conditions in Fairfax County remaining strong through the US recession.

Other elements of the Capital Beltway project have also progressed well during the year with construction on the HOT Operations Centre commencing as well as the continued progress on the development of the Tolling and Traffic Management System.

Capital raising
On 10 May 2010, the Transurban Group announced that it would undertake a capital raising comprising a fully underwritten accelerated renounceable 1 for 11 entitlement offer to raise $542.3million at an offer price of $4.60 per security. TIL's share of this equity raising was $47.6 million, net of costs.

The capital raising was successfully completed on 10 June 2010.

Significant changes in the state of affairs

There were no significant changes to the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

At the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2010 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 controlled assets.

Information on directors

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

Term of office
Director since 29 April 2003. Chairman since 28 February 2007.

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

David is a non-executive director of Lend Lease Corporation Limited and non-executive Chairman of Tooth & Co Limited and ABC Learning Centres Limited (administrators appointed) (receivers and managers appointed).

David holds interests in 66,486 stapled securities.

Transurban Board Committee membership
Chairman of each of the Nomination and Sustainability Committees and a member of each of the Audit and Risk and Remuneration Committees.

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

Term of office
Director since 18 February 2008. CEO since April 2008.

Chris came to Transurban from one of the world's largest resources and mining companies, BHP Billiton. He held a series of senior appointments there, including 5 years as CFO. His last position at BHP Billiton was Executive Director and Group President - Carbon Steel Materials. Prior to his time at BHP Billiton the bulk of Chris' career was with Alcoa Inc where his roles included Vice President and CIO (1999-2000), CFO Europe (1997-1999), and Managing Director of KAAL Australia Limited (1996-1997).

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

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

Chris holds interests in 254,966 stapled securities and 1,100,932 Performance Awards.

Information on directors (continued)

Jennifer S Eve BA, LLB (Hons), LLM in Corporate Law
Director of TIL since 18 September 2006.

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

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

Jennifer holds no stapled securities.

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

Term of office
Director of TIL since 18 September 2006.

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

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

James holds no stapled securities.

Company secretary

Elizabeth Mildwater BEc, LLB (Hons), MA, GAICD
Elizabeth joined Transurban in May 2008. She is responsible for company secretarial, compliance, risk, legal and human resource functions within the business. Before joining Transurban, Elizabeth was General Counsel and Company Secretary of SP AusNet for three years. She has over 17 years of legal, company secretarial and other relevant experience, mostly within the infrastructure sector. Her experience includes several years of international project development in the power generation and water industries, as well as more recent experience within the Australian regulated electricity sector. Prior to her in-house work, Elizabeth was a solicitor with Australian law firms Blake Dawson Waldron and Freehills. Elizabeth recently completed the Advanced Management Programme at Harvard Business School in the US.

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

J (Brett) Burns BCom, LLB
Brett was General Counsel, Australia until 18 September 2009. Brett was with Transurban for seven years, initially as an external legal adviser and, from 2003, was responsible for Australian legal matters and providing support to Company Secretariat and the North American business.

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

Meetings of directors

The numbers of meetings of the board of directors of TIL held during the year ended 30 June 2010, and the numbers of meetings attended by each director are listed below:

	Attended	**Held#**
David J Ryan	4	4
James M Keyes	4	4
Jennifer S Eve	4	4
Christopher J Lynch	4	4

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

The number of meetings of each board committee of TIL, Transurban Holdings Limited and Transurban Holding Trust held during the year ended 30 June 2010, and the number of meetings attended by each director are set out in the following table:

Name	**Audit and Risk Committee(1)**		**Remuneration Committee(2)**		**Nomination Committee(3)**		**Sustainability Committee(4)**	
	Attended	**Held#**	**Attended**	**Held#**	**Attended**	**Held#**	**Attended**	**Held#**
David J Ryan	7	7	8	8	1	1	3	3
James M Keyes	*	*	*	*	*	*	*	*
Jennifer S Eve	*	*	*	*	*	*	*	*
Christopher J Lynch	7	*	7	*	1	*	3	*

= Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

(1)Chris Lynch was not a member of the Audit and Risk Committee but attended meetings during the year.

(2)Chris Lynch was not a member of the Remuneration Committee but attended meetings during the year. Chris Lynch was excluded from discussions involving his remuneration during meetings of the Remuneration Committee which he attended.

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

(4)Chris Lynch was not a member of the Risk Committee but attended meetings during the year.

2010 REMUNERATION REPORT

INTRODUCTION

The Directors present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 for Transurban International Limited and its controlled entities for the year ended 30 June 2010. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001.* This report is for the Transurban Group (the Group) as a whole. It is considered the most appropriate for the readers of the financial statements.

The Remuneration Report contains detailed information regarding the remuneration arrangements for the Directors and senior executives who are the 'key management personnel' (KMP) of the Group. The KMP include the five highest remunerated executives of the Group for the year ended 30 June 2010, and are listed in the tables below:

Senior Executives		**Non-Executive Directors**
Name	*Position*	*Name*
Chris Lynch	Executive Director, Chief Executive Officer (CEO)	David Ryan
Brendan Bourke	Chief Operating Officer	Jennifer Eve
Tom Honan	Chief Financial Officer	James Keyes
Elizabeth Mildwater	Chief Legal Counsel and Company Secretary	
Andrew Head	Group General Manager, Strategy and Development	
Megan Fletcher	Group General Manager, Public Affairs	
Samantha Hogg[1]	Acting Group General Manager, People, Legal and Governance	
David Cardiff[2]	Group General Manager, Human Resources	
Ken Daley	President, International Development	
Michael Kulper	President, Transurban North America	

1 *Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010. Upon her return she fulfilled the role of Group General Manager People, Legal and Governance for Elizabeth Mildwater who was on study leave.*
2 *David Cardiff resigned with effect from 30 November 2009.*

During the year ended 30 June 2010, the Board reviewed key aspects of the remuneration of the CEO and other senior executives, taking into account feedback received from security holders on the 2009 Remuneration Report. As a result of the review, certain changes were implemented. The Group also revised the format of the Remuneration Report in an effort to improve security holder understanding of its remuneration arrangements.

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

REMUNERATION GOVERNANCE

Board and Remuneration Committee responsibility

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

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

Engagement of remuneration consultants

To ensure it has all relevant information at its disposal when making remuneration decisions, the Remuneration Committee seeks and considers advice from independent remuneration consultants where appropriate. Any advice and recommendations from external consultants are used to guide the Remuneration Committee and the Board, but do not serve as a substitute for thorough consideration of the issues by directors.

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

During the year ended 30 June 2010, market remuneration data was used to assist the Remuneration Committee in making decisions regarding non-executive director and senior executive remuneration. It was provided by the Hay Group, an independent external consultant who were engaged by the Remuneration Committee.

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 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 whole ownership of CityLink in Melbourne, and the Hills M2 and Lane Cove Tunnel (control taken on 10 August 2010) in Sydney. The Group has partial interests in a further three roads on the Sydney orbital network, being the M1 Eastern Distributor (75.1%), M5 (50%), and M7 (50%). In North America, the Group has interests in two assets, Pocahontas 895 (75%) and the Capital Beltway Express (67.5%), which is under construction in Northern Virginia.

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

The Group's remuneration strategy uses three critical measures of performance to align management and investors; total security holder return (TSR), proportional net costs and proportional Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). TSR is a commonly utilised measure of company performance and this coupled with the other measures align with the particular character of the Transurban Group. Further explanation of these measures and the rationale for their utilisation is outlined in Sections 5 and 6. These measures, along with KPIs related to individual areas of accountability, collectively form the core elements of the Group's remuneration framework.

CEO AND SENIOR EXECUTIVE REMUNERATION

1 REMUNERATION STRATEGY AND POLICY

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

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

Creating Security Holder Value

↓

Remuneration Strategy

Attract, retain, motivate and reward executives who are critical to the Company'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 rewards with individual and Group performance by:

- Making short term 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

Fixed Remuneration:

- 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'

Short term incentive:

- Cash rewards tied to pre-determined individual and Group annual performance measures.
- Individual targets reflect individual specific accountabilities and key drivers for growth and success.
- Group performance targets linked to earnings and cost management.

Long term incentive:

- Equity rewards to align executive and security holder interests.
- Vest after 3 years, subject to relative total security holder return and Group earnings growth.
- Encourages sustainable performance in the medium to longer term, and provides a retention element.

2 RELATIVE WEIGHTINGS OF REMUNERATION

The remuneration of the CEO and other senior executives is structured as a mix of fixed remuneration and variable or 'at risk' remuneration (through short term and long term incentive components).

The relative weightings of the three remuneration components for the CEO and other senior executives are determined by the Board (on the advice of the Remuneration Committee) and are set out in the table below:

Relative weightings of remuneration components[1]

	% of total remuneration (annualised)		
	Fixed remuneration	Variable remuneration (performance-based)	
		STI	LTI
CEO	34	33	33
Other senior executives	50-56	25-22	25-22

1 *These figures do not reflect the relative value derived from each of the components, which is dependent on actual performance against targets for the variable components. This is discussed in sections 5 and 6 below. The above STI percentages are based on achieving 100% of the relevant performance targets. The above LTI percentages are based on the maximum LTI available to each executive if 100% of the awards granted vest.*

3 KEY CHANGES FOR THE YEAR ENDED 30 JUNE 2010

Following careful consideration by the Board, the following changes to the various components of remuneration were implemented during the year ended 30 June 2010. In making these changes, the Board has sought to address the feedback received from security holders and other stakeholders. The Board has also taken into account the shift in corporate governance expectations regarding remuneration issues, whilst recognising the need to appropriately remunerate strong performance.

Change
Fixed remuneration
Salary freeze: A salary 'freeze' was instituted for the CEO and other senior executives, and the majority of employees on salaries of $200,000 or more, for the year ended 30 June 2010. Fixed remuneration increases for all employees averaged 2.2% during the same period. The Board approved the salary freeze in light of both an anticipated slowdown in the broader Australian economy and business objectives regarding cost reductions.
Variable remuneration - short term incentives (STIs)
CEO's STI: In the year ended 30 June 2009, as a one-off arrangement, the CEO had a guaranteed minimum annual STI payment of 50% of his annual TEC. This guarantee has ceased. For the year ended 30 June 2010 and future years, the CEO's STI is performance based and 100% at risk. There is no minimum guaranteed STI payment.
STI performance measures: For the year ended 30 June 2010, STI performance measures for the CEO and other senior executives consisted of: • individual key performance indicators (KPIs); • a shared senior executive KPI; and • Group performance measures based on proportional EBITDA (from the Group's audited financial statements) and cost management. The inclusion of a cost management target for STIs is a new initiative for the year ended 30 June 2010.

Variable remuneration - long term incentives (LTIs)
Cessation of Executive Equity Plan (EEP): Grants under the EEP, which were made during the year ended 30 June 2009, have ceased. The EEP was used to achieve retention of key personnel during a period of transition for the business and is no longer required. All LTIs granted to the CEO and other senior executives during the year ended 30 June 2010 are subject to performance hurdles.
No retesting: LTIs in the form of Performance Awards granted in the year ended 30 June 2010 are tested once at the end of the 3 year performance period. No retesting of Performance Awards granted under the LTI plan is available.
Proportional EBITDA target: The Group's proportional EBITDA percentage growth rate is calculated based on EBITDA results included in the Group's audited financial statements and is adjusted for acquisitions and divestments that may occur during the performance period and is subject to Board approval. For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements. Following a review of the Group's LTI arrangements, the Board concluded that proportional EBITDA continues to best reflect the underlying performance of the Group and be an appropriate LTI performance measure. Performance hurdles for the proportional EBITDA measure have been increased to 6 - 9% compound growth (on actual proportional EBITDA results for the year ended 30 June 2009), for the 2010 LTI plan. This is a change from the 5 - 9% applied in the prior period. The 6-9% range was determined based on the Group's understanding of a range of business parameters including forecast on traffic growth, toll increases and operating costs.
Security holder approval of CEO LTIs: The Group intends to seek security holder approval of the CEO's LTI grant for the year ended 30 June 2011 at the 2010 Annual General Meeting. The Group considers seeking such approval to be good corporate governance practice. The LTI grants will be made under the CEO's employment agreement. Due to contractual arrangements, in the event that security holders do not approve the proposed grant, a cash payment equivalent to the remuneration value of the LTI awards will be made to Mr Lynch subject to the terms and conditions of the LTI plan offered for the year ended 30 June 2011.

4 FIXED REMUNERATION - TOTAL EMPLOYMENT COST (TEC)

What is TEC?
The remuneration for all senior executives is represented by total employment cost (TEC) comprising base salary, company superannuation contributions and benefits such as salary continuance, death and disability insurance. This amount of 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. In light of both an anticipated slowdown in the broader Australian economy and business objectives regarding cost reductions, the CEO recommended, and the Board approved, a salary 'freeze' for the CEO and other senior executives for the year ended 30 June 2010.
How is TEC determined?
TEC levels are reviewed annually by the Remuneration Committee at the beginning of each financial year by reference to relevant comparative compensation in the market, as well as each senior executive’s performance. Independent remuneration consultants and surveys, internal considerations and market conditions also provide guidance. TEC is also reviewed upon promotion.

5 SHORT TERM INCENTIVE (STI)

What is the STI plan?

The STI plan is an annual cash incentive plan linked to specific pre-determined individual and Group performance measures set as a fixed percentage of TEC.

Who participates in the STI plan?

All permanent Group employees including the CEO and other senior executives participate in the STI plan. Fixed term employees with tenure greater than two years are also eligible participants.

Why does the Board consider the STI an appropriate incentive for senior executives?

The STI plan puts a significant proportion of senior executive remuneration 'at risk' against meeting specific targets linked to the Group's business objectives. The STI plan focuses participants on achieving performance targets and provides incentive for high performance. This aligns executive interests with the Group's financial performance, as well as management principles and the cultural values of the Group.

What proportion of fixed remuneration does the STI plan represent?

For the year ended 30 June 2010, the CEO had a target STI opportunity of 100% of his annualised TEC. Other senior executives had a target STI opportunity of 40% - 50% of their annualised TEC.

What are the performance measures?

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

There were three categories of performance measures for the CEO and other senior executives for the year ended 30 June 2010. They are described below and were chosen to provide a balance between individual, Group, operational, strategic, financial and non-financial aspects of performance.

2010 STI performance measures for the CEO and other senior executives

Performance measure	% of target STI amount performance measure applies to	Target(s) for performance measure
Individual key performance indicators (KPIs)	40%	Individual KPIs are unique to the individual's area of accountability, but relate to critical business sustainability measures including: operational performance; cost reduction; customer satisfaction; project outcomes; succession planning; risk management; people management; strategy development; and business plan implementation. Individual KPIs reflect the behaviours valued by the Group, and are capable of measurement. Individuals have a clear line of sight to KPIs and are able to directly affect results through their actions.
Shared senior executive KPI	10%	To achieve the business objective of creating and maintaining a safety culture, the senior executive team shared a safety KPI that required outcomes relating to: • a reduction in lost time injury frequency rates; • implementation of an OHS Management Framework in Australia and US; and • the completion of risk and ergonomics assessments.
Group performance targets	50%	To ensure that STI payments are aligned with business performance and the creation of value for security holders, there are two Group performance targets: • a proportional EBITDA target; and • a cost management target based on proportional net costs. Each accounts for half of the group performance targets.

The CEO's individual KPIs are set by the Board. All other senior executives individual KPIs and the shared senior executive KPI are set by the CEO and approved by the Board. The Board sets the Group performance targets.

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

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

Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions.

Proportional EBITDA is one of the primary measures that the Board uses to assess the operating performance of the Group. 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.

Unlike companies in other industries toll roads do not require any discretionary capital expenditure except in the occasional upgrade project such as the M1 upgrade. These are rigorously analysed as projects and incorporated in EBITDA targets once completed. Therefore, proportional EBITDA for Transurban captures the critical measure of performance that management can control.

Since 2009, proportional EBITDA has been used as a performance hurdle for both STIs and LTIs to ensure that the long term growth and activities of the Group are not sacrificed in the short term to achieve a desired operating result in a given year.

Proportional EBITDA figures used to assess performance are extracted from the financial statements which have been audited by PricewaterhouseCoopers.

The Board can decide to exclude specific items from proportional EBITDA to provide an underlying result. These items reflect one-off, non-recurring items, both revenue and expenses, that will not contribute to the Group’s performance in future periods. Where they are not reflective of the Group’s ongoing operating performance, these one-offs are also excluded when determining performance incentives. For the year ended 30 June 2010 the Board has excluded corporate advisory costs incurred in advising the Board with respect of the joint change of control proposals made by CPPIB, OTPP and CP2.

Why is proportional EBITDA a better performance measure than statutory EBITDA?

Proportional EBITDA provides a better reflection of the operating performance of the Group and the EBITDA generated from its portfolio. The presentation of proportional EBITDA permits a meaningful and appropriate analysis of the underlying performance of the Group's assets.

The EBITDA calculation from the statutory accounts would not include the operating performance of the M5, M7 or DRIVe (which are equity accounted in the statutory results). These assets are meaningful contributors to the Group's performance and it is therefore appropriate that they be included in the measure of executive performance.

What is the cost management measure and why does Transurban use it as a performance measure?

The cost management measure is based on proportional net costs. Proportional net costs are the operating, corporate and business development costs of the Group less non-toll revenues (fees and other). The deduction of these non-toll revenues from costs encourages and allows management to incur additional costs where these are justified by increased revenue results (e.g. toll collection activities such as video tolling and/or enforcement). The inclusion of a cost measure in Transurban's performance rewards reflects the fact that management has the ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and cash flow and ultimately security holder value. The year ended 30 June 2010 was the first year that proportional net costs have been used by the Group as a performance measure.

As with proportional EBITDA, in specific cases items are excluded from proportional net costs to provide underlying net costs. Underlying net costs are used when determining performance incentives. For the year ended 30 June 2010 the Board has excluded corporate advisory costs incurred in advising the Board with respect of the joint change of control proposals made by CPPIB, OTPP and CP2.

What are the proportional EBITDA and proportional net costs targets for the year ended 30 June 2010?

The proportional EBITDA and proportional net costs targets for the year ended 30 June 2010 are set out in the table below:

Proportional EBITDA target	Percentage of STI that vest*	Proportional net costs target
Actual proportional EBITDA result is below that for the year ended 30 June 2009	0%	Actual underlying proportional net costs are over budget for the year ended 30 June 2010
Actual proportional EBITDA result achieved is the same as the year ended 30 June 2009	50%	Actual underlying proportional net costs on budget for the year ended 30 June 2010
Budgeted proportional EBITDA achieved for the year ended 30 June 2010	100%	Actual underlying proportional net costs are 5% below the budgeted underlying proportional net costs for the year ended 30 June 2010
5% above the budgeted proportional EBITDA for the year ended 30 June 2010	150%	15% below the budgeted underlying proportional net costs for the year ended 30 June 2010

* straight line vesting applies between 50-150%

The targets were set against the year ended 30 June 2009 results (which include a full year of M4 contributions) and the 30 June 2010 budget.

How are the varying levels of performance achievement rewarded?

The STI targets are designed to differentiate and reward high performance.

50% of the available STI vests for on target performance, 100% vests for achievement of high performance and an additional 50% can be earned for outperformance. These targets are consistent for all of the Group's permanent employees.

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

How is performance assessed?

Individual KPIs

The CEO's performance is assessed by the Remuneration Committee which then makes recommendations to the Board.

The performance of other senior executives against their individual KPIs is assessed by the CEO, who confers with the Remuneration Committee and then the Board regarding his assignment.

Group performance targets

The performance of senior executives against the Group performance targets is assessed by the Board and independently audited.

Shared senior executive KPIs

The CEO's performance, and the performance against the senior executive team's shared KPI, is assessed by the Remuneration Committee which then makes recommendations to the Board. These results are also independently reviewed.

Board approval

Once KPIs have been assessed, the Board approves STI amounts for payment, typically in August each year.

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

What if a senior executive ceases employment?
If the CEO's employment is terminated before STI targets are achieved, the CEO will receive the higher of pro rata target STI or actual performance. If a senior executive ceases employment with the Group before STI targets are achieved, the senior executive will generally not be entitled to receive any STI payment, unless otherwise determined by the Board.
What STIs did senior executives earn in 2010?
STI payments for the year ended 30 June 2010 are set out in the table below.

STIs awarded in respect of the year ended 30 June 2010

	Actual STI awarded [3]	**Target STI paid**	**Target STI forfeited**
Name	**$**	**%**	**%**
Chris Lynch	2,740,000	132	-
Brendan Bourke	432,400	118	-
Tom Honan	648,250	130	-
Elizabeth Mildwater	273,750	122	-
Andrew Head	271,300	136	-
Megan Fletcher	185,050	116	-
Samantha Hogg[1]	49,500	124	-
David Cardiff[2]	-	-	100
Ken Daley	471,200	126	-
Michael Kulper	725,390	124	-

1 *Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010. The actual STI awarded reflects a pro-rated payment.*
2 *David Cardiff resigned with effect from 30 November 2009.*
3 *The target level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI which would have been awarded in respect of the year ended 30 June 2010 was nil. The STI payments in respect of the year ended 30 June 2010 are paid in September 2010.*

6 LONG TERM INCENTIVE (LTI)

What is the purpose of the LTI program?
The LTI program aligns reward with security holder wealth by tying this component of executive remuneration to the achievement of performance conditions which underpin sustainable long term growth.
Who participates in the LTI program?
Participation in the LTI program is only offered to senior executives, and certain other senior managers approved by the Board.
What proportion of TEC was granted under LTI program in the year ended 30 June 2010?
For the year ended 30 June 2010, the CEO was offered an LTI grant equivalent to 100% of his annualised TEC. Other senior executives were offered grants representing approximately 40% - 50% of their annualised TEC. All grants made to senior executives in the year ended 30 June 2010 are subject to performance conditions.

How is reward delivered under the LTI program?

LTI grants are delivered in the form of Performance Awards under the Company's Performance Awards Plan **(PAP)**. Performance awards are offered at no cost to the participants. Each performance award is an entitlement to receive a fully-paid Transurban security on terms and conditions determined by the Board, including the achievement of certain vesting conditions linked to performance over a three year period.

If the vesting conditions are satisfied, the performance awards vest and Transurban securities will be delivered to the senior executive.

Whilst the Board has discretion to grant cash payments of equivalent value at the end of the performance period, it is the Board's current intention to settle any vested performance awards in Transurban securities.

What rights are attached to the performance awards?

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

What are the performance measures?

None of the participants derive actual value from their LTI grants unless performance hurdles are achieved.

Performance Awards are subject to dual performance measures over a three year performance period:

- relative total security holder return (TSR); and
- growth in proportional EBITDA.

Each condition applies to 50% of the available LTI award.

What are the performance hurdles?

Relative TSR

The relative TSR component of the performance awards will vest if the Group's relative TSR performance is at least above the median of the S&P/ASX100 group of companies at the end of the three year performance period, in accordance with the following table:

TSR vesting schedule

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

Proportional EBITDA

The percentage of performance awards that will vest will depend on the Group's percentage compound proportional EBITDA growth over a three financial year performance period including on a part-year basis. The measure will be adjusted to include or exclude the relevant EBITDA from acquisitions and divestments that may occur during the performance period. The proportional EBITDA vesting schedule is set out below:

Since 2009, proportional EBITDA has been used as a performance measure in both the LTI and STI plans. This measure is effective for the STI plan as it maintains a focus on the Group's operating results and associated cash generation. Proportional EBITDA also acts to ensure that the long term growth and activities of the Group are not sacrificed in the short term to achieve a desired operating result in a given year and therefore it is also the measure utilised for the LTI plan.

The movement in proportional EBITDA best reflects Transurban's underlying business performance and its goal of long term sustainable growth in earnings from existing operations. In addition, there are many aspects of proportional EBITDA that management can influence to drive improvements in short term earnings.

Proportional EBITDA vesting schedule

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

Why have these performance measures been chosen?

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

The proportional EBITDA hurdle provides evidence of the Group's growth in earnings and is linked to the Company's overall strategic objectives.

Why does the Board think that the S&P/ASX 100 index is an appropriate comparator group?

The S&P/ASX100 comparator group was chosen due to a lack of publicly listed companies in the toll road sector in Australia.

Additionally, this Group reflects Transurban's competitors for security holder capital and talent. As each of the ASX100 companies are subject to similar challenges, opportunities and market sentiment, the Group's performance in comparison to that of these companies should more fairly reflect the strength of the Group's performance.

How are the performance hurdles measured?

Relative TSR

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

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

Proportional EBITDA

The Group's proportional EBITDA percentage growth rate is calculated based on EBITDA results included in the Group's audited financial statements and is adjusted for acquisitions and divestments that may occur during the performance period and is subject to Board approval. For further proportional EBITDA information see Note 2 Segment information in the Transurban Holdings Limited financial statements.

What if a senior executive ceases employment?

If the CEO ceases employment with the Group before the performance condition is tested, then he is entitled to retain any unvested performance awards, which will vest in accordance with the performance conditions under the LTI plan as at the time of grant.

If senior executives cease employment with the Group before the performance condition is tested, then their unvested performance awards will lapse, unless the Board determines otherwise.

What happens in the event of a change in control?

LTIs form part of the CEO and senior executives' remuneration. In the event of a takeover or change of control of the Group, any unvested performance awards will automatically vest.

Performance awards that vest following a change of control will not generally be subject to restrictions on dealing.

What was the grant, movement in the number and value of performance awards by senior executives during the year ended 30 June 2010?
These are summarised in tables below.

Performance awards granted in the year ended 30 June 2010

Performance criteria	Grant date	Vesting date	Fair value of awards at grant date[1]	VWAP at grant date
			$	$
TSR	11-Dec-09	11-Dec-12	3.33	5.55
EBITDA	11-Dec-09	11-Dec-12	4.97	5.55

1 *The fair value was calculated as at the grant date of 11 December 2009. An explanation of the pricing model used to calculate these values is set out in Note 27 to the financial statements.*

Performance awards granted in the year ended 30 June 2010

	Number of performance awards granted [3]	Value at grant date	Maximum total value of grant yet to vest [4]
Name		**$**	**$**
Chris Lynch	617,211	2,561,424	2,561,424
Brendan Bourke	109,050	452,559	452,559
Tom Honan	148,368	615,727	615,727
Elizabeth Mildwater	66,766	277,077	277,077
Andrew Head	59,347	246,291	246,291
Megan Fletcher	47,478	197,033	197,033
Samantha Hogg[1]	47,478	197,033	197,033
David Cardiff[2]	-	-	-
Ken Daley	111,276	461,795	461,795
Michael Kulper	161,956	672,118	672,118

Performance awards vest subject to performance over the period from 11 December 2009 through to 11 December 2012.

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

1 *Samantha Hogg took maternity leave between 6 July 2009 and 7 April 2010.*
2 *David Cardiff resigned with effect from 30 November 2009.*
3 *The grants made to senior executives constituted their full LTI entitlement for the year ended 30 June 2010 and were made on 11 December 2009 on the terms summarised above.*
4 *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 conditions are not met, is nil.*

7 OTHER EQUITY PLANS

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

ShareLink Incentive Plan

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

Eligible employees received a grant of 100 securities at no cost to them on 5 February 2010. 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 past performance and is not intended to serve as a future incentive, there are no performance conditions attached to grants of securities or cash payments under the plan.

ShareLink Investment Tax Exempt Plan

This plan provides eligible employees the opportunity to invest in Transurban securities, on a tax-exempt basis, up to $1,000 per annum, of which half is contributed by the Group and half is contributed by the employee through salary sacrifice. All permanent employees are eligible to participate in this plan. For the year ended 30 June 2010, securities were acquired by plan participants on 26 March 2010 and 18 June 2010.

Grants of securities under this plan are designed to encourage employee security holdings and to align the interests of employees with the Group and therefore are not subject to performance conditions.

ShareLink Investment Tax Deferred Plan

This plan was suspended in May 2009 due to proposed changes in tax legislation governing employee share plans in Australia. This plan was reviewed and a new offer was made to eligible employees during the year ended 30 June 2010 and will take effect in the year ended 30 June 2011.

The plan now provides eligible employees with the opportunity to invest in Transurban securities, on a salary sacrifice basis, up to $5,000 per annum. Participants also receive up to $3,000 of a matching component from the Group. The plan has a maximum disposal restriction period of three years including a twelve month forfeiture period.

Equity grants under this plan are designed to encourage employee security holding and to align the interests of employees with the Group and therefore are not subject to performance conditions.

8 LEGACY LTI PLANS

There are a number of legacy LTI plans that are no longer offered to new entrants but which have existing participants. Details of these plans are in the following tables.

2007 Executive Loan Plan (ELP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)	
Plan terms and conditions	
Grant date:	1 Nov 2006
Vesting date:	1 Nov 2009
Expiry date:	31 Dec 2009
Grant price:	$7.28
Value per unit at grant date:	$1.37
Details of plan	
Australian participants were granted Transurban securities purchased using interest free loans provided by the Group. These securities vest in the participants subject to meeting the stipulated performance condition. Outstanding loans are repaid upon vesting. Overseas participants were granted performance rights which provided for cash payments upon vesting, subject to meeting the stipulated performance condition.	

Performance hurdles

The Plan had a single performance measure of relative TSR against the S&P/ASX 100 Industrials.

TSR vesting schedule

Relative TSR ranking in the comparator group	**% of awards that vest**
At or below the 50th percentile	Nil
Above the 50th percentage but below the 75th percentile	Straight line vesting between 50-100%
At or above the 75th percentile	100%

Result (movements in plan for the year ended 30 June 2010)

The 2007 award matured on 1 November 2009. No awards vested as the prescribed performance condition was not met. The following Transurban securities and performance rights lapsed during the year ended 30 June 2010 for the following key management personnel:

B Bourke (160,000)

D Cardiff (35,000)

A Head (22,500)

K Daley (100,000)

M Fletcher (15,000)

M Kulper (100,000)

The value of the securities which lapsed during the year, based on the original loan was:

B Bourke $987,854

D Cardiff $216,090

A Head $138,913

The value of performance rights for overseas participants which lapsed during the year was:

K Daley $137,000

M Fletcher $20,550

M Kulper $137,000

2008 Performance Rights Plan (PRP) (Performance Rights for Australian and overseas participants)

Plan terms and conditions

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

Details of plan

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

Overseas participants were granted performance rights which provided for cash payments upon vesting, subject to meeting the stipulated performance condition.

Performance hurdles

For Australian participants, the Plan has two performance measures, statutory EBITDA and relative TSR against the S&P/ASX 100 Index each applied to 50% of the awards.

For overseas participants, the Plan has two performance measures, DRIVE management fee growth and relative TSR against the S&P/ASX 100 Index, each applied to 50% of the awards.

The TSR vesting schedule is as per the above table.

Statutory EBITDA and DRIVe management fee vesting schedule

% compound statutory EBITDA annual growth	**% of awards that vest**
10%	50%
Between 10% and 15%	Straight line vesting between 50-100%
15% or more	100%
% compound growth of the DRIVe management fee	**% of awards that vest**
20%	50 %
Between 20% and 25%	Straight line vesting between 50-100%
25%	100%

Result (movements in plan for the year ended 30 June 2010)

8,401 performance rights were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed Rights was $39,737. The Board exercised its discretion in awarding D Cardiff, on a pro-rata basis, 19,027 Performance Rights to be vested post employment subject to terms and conditions of the Plan.

2009 Performance Awards Plan (PAP) (Performance Awards for Australian and overseas participants)

Plan terms and conditions

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

Details of plan

Participants were granted performance rights that entitled them to receive Transurban securities at no cost at the end of a three year performance period, subject to the achievement of performance conditions. The Board has discretion to award cash payments of equivalent value upon vesting.

Performance hurdles

The plan has two performance measures, proportional EBITDA and relative TSR against the S&P/ASX 100 Index, each applies to 50% of the awards.

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

The TSR vesting schedule is as per the above table.

Proportional EBITDA vesting schedule

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

Result (movements in plan for the year ended 30 June 2010)

The table below sets out the performance hurdles achieved over the testing period, the vesting scale, banked awards and awards to be carried forward for Tranche 2 for testing.

Performance measure	Number of awards subject to testing	Testing period	Vesting scale	Number of awards banked in tranche 1	Number of awards to be carried forward to tranche 2
			$	$	$
TSR	219,048	31 Oct 2008 to 30 Oct 2009	0%	-	219,048
Proportional EBITDA	219,048	Year ended 30 June 2009	83%	181,810	37,238

29,749 performance awards were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed Awards was $112,600.

The Board exercised its discretion in awarding D Cardiff, on a pro-rata basis, 16,763 Performance Awards to be vested post employment, subject to the terms and conditions of the plan.

2009 Executive Equity Plan (EEP) (Fully paid Transurban securities for Australian participants and Performance Rights for overseas participants)	
Plan terms and conditions	
Grant date:	1 Nov 2008
Vesting date:	1 Nov 2011
Grant price:	$5.22
Value per unit at grant date:	$4.27
Details of Plan	
Australian participants received a grant of Transurban securities at no cost subject to disposal restrictions for three years from the grant date. Executives based outside Australia receive a grant of performance rights at no cost which entitles participants to receive Transurban securities which vest at the end of the vesting period of three years.	
Performance hurdles	
Vesting is based on service during the three year performance period.	
Result (movements in plan for the year ended 30 June 2010)	
19,146 Transurban securities were forfeited by D Cardiff during the year ended 30 June 2010. The value of the lapsed securities was $104,729.	

9 DEALINGS IN SECURITIES

In accordance with Transurban's Dealing in Securities Policy, employees who have performance awards under an LTI plan may not hedge against those rights until they have vested. Employees may hedge after vesting if the hedge is both initiated in and arranged so that the specified exercise date falls within an open period.

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

10 REMUNERATION PAID TO THE CEO AND OTHER SENIOR EXECUTIVES

Remuneration of key management personnel, who included the five highest paid executives of the Group. All values are in Australian dollars unless otherwise stated.

Remuneration for the years ended 30 June 2010 and 30 June 2009

	Short-term employee benefits				Post-employment benefits	Long term benefits	Termination benefits	Share based benefits[2]			Total
	Cash salary and fees	Value of equities acquired in lieu of cash salary/ fees	Cash Bonus[1]	Non-monetary benefits	Superannuation	Long service leave		2007 ELP	2008 PRP/2009 & 2010 PAP	2009 EEP	
Executive director											
C Lynch											
2010	**2,030,860**	**-**	**2,740,000**	**6,049**	**50,000**	**-**	**-**	**-**	**1,079,488**	**113,261**	**6,019,658**
2009	1,980,839	-	2,800,000	36,881	100,000	-	-	-	404,265	75,093	5,397,078
Other key management personnel											
B Bourke											
2010	**687,093**	**-**	**432,400**	**6,049**	**49,107**	**13,148**	**-**	**24,800**	**346,315**	**132,046**	**1,690,958**
2009	635,976	-	329,800	7,845	100,241	15,913	-	88,498	217,564	18,051	1,413,888
D Cardiff[3]											
2010	**157,544**	**-**	**-**	**-**	**10,420**	**4,443**	**268,637**	**5,425**	**(65,233)**	**(29,389)**	**351,847**
2009	344,033	-	314,500	-	57,042	16,198	-	20,303	82,038	18,051	852,165
K Daley[4]											
2010	**706,407**	**-**	**1,271,200**	**53,677**	**49,004**	**14,168**	**-**	**-**	**280,674**	**27,226**	**2,402,356**
2009	658,635	-	383,400	97,354	94,694	46,917	-	-	181,986	18,051	1,481,037
M Fletcher											
2010	**296,196**	**-**	**185,050**	**-**	**24,481**	**11,697**	**-**	**-**	**95,895**	**27,226**	**640,545**
2009	274,381	-	163,600	6,301	28,319	15,327	-	1,679	47,003	18,051	554,661
A Head											
2010	**376,772**	**-**	**271,300**	**-**	**24,330**	**15,080**	**-**	**3,488**	**127,201**	**27,226**	**845,397**
2009	368,033	-	204,500	-	33,042	16,419	-	12,850	62,254	18,051	715,149
S Hogg											
2010	**134,569**	**-**	**49,500**	**-**	**11,292**	**-**	**-**	**-**	**65,449**	**21,780**	**282,590**
2009	355,355	-	170,000	-	31,900	-	-	-	19,436	14,440	591,131
T Honan[5]											
2010	**976,396**	**-**	**648,250**	**-**	**25,000**	**-**	**-**	**-**	**406,064**	**121,547**	**2,177,257**
2009	690,950	250,000	1,750,000	-	36,226	-	-	-	194,358	36,103	2,957,637
M Kulper											
2010	**1,126,355**	**-**	**725,390**	**-**	**8,729**	**52,446**	**-**	**-**	**415,367**	**34,049**	**2,362,336**
2009	1,235,047	-	630,022	-	110,949	72,102	-	-	244,528	22,575	2,315,223
E Mildwater											
2010	**410,093**	**-**	**273,750**	**-**	**24,330**	**-**	**-**	**-**	**87,458**	**27,226**	**822,857**
2009	322,142	-	217,000	-	28,911	-	-	-	24,295	18,051	610,399
Total											
2010	**6,902,285**	**-**	**6,596,840**	**65,775**	**276,693**	**110,982**	**268,637**	**33,713**	**2,838,678**	**502,198**	**17,595,801**
2009	6,865,391	250,000	6,962,822	148,381	621,324	182,876	-	123,330	1,477,727	256,517	16,888,368

Notes:

1 *The amount represents cash STI payments to the Senior Executive for the year ended 30 June 2010, which are paid in September 2010.*

2 *In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards awarded under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration may be different to the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of Performance Awards at the date of their grant has been determined in accordance with AASB 2 applying a Black-Scholes valuation method. The assumptions underpinning these valuations are set out in Note 27 to the financial statements.*

3 *An ex-gratia payment of $268,637 was made to David Cardiff upon resignation in recognition of his contribution in the period of business transition.*

4 *Ken Daley's cash bonus includes his STI payment as per note 1 above of $471,200 as well as a payment of $800,000 as part of his service agreement as noted in section 11 below.*

5 *Tom Honan elected to receive part of his sign-on award in Transurban securities which were purchased on market.*

11 SERVICE AGREEMENTS

The remuneration and other terms of employment for the CEO and other senior executives are formalised in service agreements which have no specified term. Each of these agreements provides for access to performance-related STIs and other prescribed benefits. Although not specified in agreements, the CEO and other senior executives are eligible to participate in the LTI plan (or equivalent cash plans for those executives located outside Australia).

Some key aspects of the agreements are outlined below:

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

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

Pursuant to his service contract, a cash payment of $800,000 was made to Ken Daley. This reflects 80% achievement of the stipulated performance criteria under a performance incentive arrangement.

LINK BETWEEN GROUP PERFORMANCE, SECURITY HOLDER WEALTH AND REMUNERATION

The remuneration of the CEO and other Senior Executives is linked to the performance of the Group through the use of incentive hurdles based on the operating performance of the business for both short and long term incentives, as noted below.

1 GROUP PERFORMANCE AND STI

25% of executive short term incentives are determined with reference to proportional EBITDA and 25% with reference to proportional net costs as discussed on page 219. This aligns the executive's interests with the Group's financial performanc

Proportional EBITDA

The proportional EBITDA result for the year ended 30 June 2010 was $635.4 million, an 8.9% increase from the prior year result. The year ended 30 June 2010 result exceeded the budget by 5.4%, allowing the payment of 150.0% of STIs attributable to Proportional EBITDA. The Proportional EBITDA result was driven by the Group's continued focus on cost control and the performance of the asset portfolio, characterised by strong traffic volumes on all Australian assets, particularly Melbourne's CityLink following the completion of the Southern Link Upgrade.

Proportional net costs

The underlying proportional net costs result for the year ended 30 June 2010 was $174.3 million. This represents a decrease from the year ended 30 June 2009 by 10.8%, resulting in the payment of 139.2% of STIs attributable to proportional net costs. As with proportional EBITDA, the Group's continued focus on cost management resulted in a decrease in the cost base across operational, corporate and business development costs. A number of value initiatives implemented have also contributed to the cost reductions with developments in revenue collection also contributing to overall proportional net costs through improved fee revenue.

Safety

In 2010, the safety performance measure applied to senior executives resulted in the payment of 114% of the eligible short term incentive. The hurdle included three components as discussed on page 223 of which a reduction in lost time injury frequency rates was one element. In the year ended 30 June 2010 lost time injury frequency rates decreased from 6.94 to 3.64.

2 GROUP PERFORMANCE AND LTI

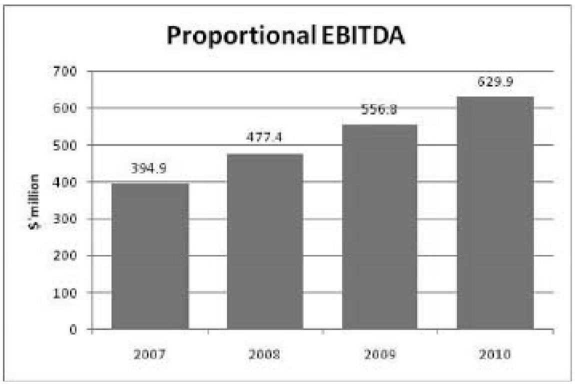
Long term incentives are linked to proportional EBITDA and relative TSR.

The performance hurdles for the current plans are outlined on page 222.

Proportional EBITDA

The performance hurdle for proportional EBITDA of between 6% and 9% compound growth is considered an appropriate target in the current economic climate and for the anticipated level of organic growth in a mature toll road portfolio. Ring fencing arrangements mean that only the existing portfolio of assets contribute to the calculation.

In general, long term incentive hurdles are based on cumulative performance in relation to proportional EBITDA over preceding years. The following graph shows the growth in proportional EBITDA since 2007. This growth is driven by increased traffic volumes and revenue collection processes and more specifically cost control that has been a focus of the Group since 2008.



1. The result for the year ended 30 June 2010 includes the M4 until 15 February 2010 when the concession deed ended.

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

Long term incentive plan	Group Compound growth as at 30 June 2010
Performance Rights Plan 2008	7%
Performance US Cash Rights Plan 2008	-
Performance Awards Plan 2009	9%
Performance Awards Plan 2010	12%

TSR performance

The table below summarises the relative TSR performance over the performance period to date in respect of unvested long term incentives.

Long term incentive plan	Company TSR as at 30 June 2010	Indicative percentile rank
Performance Rights Plan 2008	(26.3)%	60.7%
Performance US Cash Rights Plan 2008	(26.3)%	60.7%
Performance Awards Plan 2009	(8.7)%	22.4%
Performance Awards Plan 2010	(18.1)%	14.6%

NON-EXECUTIVE DIRECTOR REMUNERATION

1 REMUNERATION POLICY

The Group's non-executive director remuneration policy as set by the Board is summarised below:

Aggregate remuneration is approved by security holders

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 for non-executive directors of $2,100,000 per year (including the superannuation guarantee levy) was approved by security holders at the 2007 Annual General Meeting.

The Board intends to seek security holder approval at the 2010 AGM to increase the aggregate fee pool for non-executive directors. The key reasons for the proposed increase are to provide the Board with the strategic flexibility to make additional non-executive director appointments and to facilitate orderly Board succession planning.

Fees are set by reference to key considerations

The aggregate fee pool for non-executive directors and the manner in which it is apportioned amongst the non-executive directors is reviewed annually.

The Remuneration Committee undertakes this review and makes recommendations to the Board after taking into consideration a number of relevant factors including:

- the responsibilities and risks attached to the role of non-executive director;
- the time commitment expected of non-executive directors;
- the fees paid by peer companies to non-executive directors; and
- benchmark data provided by independent external advisors.

Remuneration is structured to preserve independence whilst creating alignment

The remuneration of non-executive directors consists of base (director) fees and Committee fees. To preserve independence and impartiality, no element of non-executive director remuneration is 'at risk'. In other words, it is not based on the performance of the Group.

Retirement benefits

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

Cumulatively an amount of $605,725 (2009: $565,178) has been provided as at 30 June 2010 and $40,547 (2009: $64,388) expensed in the current year. Retirement benefits of $nil (2009: $405,134) were paid out in the current year.

2 COMPONENTS OF NON-EXECUTIVE DIRECTORS REMUNERATION

Director / Committee fees*

Current base (director) fees per year are:

- $455,000 for the Chairman and $170,000 for other non-executive directors.

Current Committee fees* per year are set out below:

- $40,000 for chair of the Audit and Risk Committee and $20,000 for members of that committee;
- $25,000 for chair of the Remuneration Committee and $20,000 for members of that committee;
- $25,000 for chair of the Sustainability Committee and $15,000 for members of that committee[1];and
- $10,000 for chair of the Nomination Committee and $10,000 for members of that committee.

** The Chairman does not receive any additional fees for his Committee responsibilities.*

The fees as outlined above took effect on 1 January 2010 following an independent review of non-executive director and Committee fees by an external remuneration consultant. The decision to increase fees was based on the following factors:

- the length of time since the last increase (October 2006 for the Chair and October 2005 for other non-executive directors);
- benchmarking data from relevant comparator groups; and
- alignment of fees with a revised Committee structure.

Other fees / benefits

Certain non-executive directors were entitled to retirement benefits, however, the retirement benefits plan was frozen on 30 September 2005 and no further benefits have been provided under that Plan since that date.

Non-executive directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during the year.

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.

Post-employment benefits*

Superannuation contributions are made on behalf of the non-executive directors at a rate of 9%, which satisfies the Group's statutory superannuation obligations.

** Director and committee fees and post-employment benefits are included in the security holder approved cap.*

1. As of 11 August 2010, the Sustainability Committee is no longer a separate committee of the Board. Sustainability is considered by the Board to be embedded in Transurban's business and business practices, and the Board has responsibility for sustainability oversight.

Under the ShareLink Investment Tax Deferred Plan, non-executive directors are able to sacrifice up to 50% of their pre-tax fees to acquire Transurban securities through a tax deferred arrangement. The plan was suspended in May 2009 due to proposed changes to tax legislation governing share plans. No offers or purchases were made under the plan during the year ended 30 June 2010. Following a review of the plan, eligible participants (including non-executive directors) have the opportunity to invest in Transurban securities up to $5,000 per annum. The offer for the year ending 30 June 2011 was made to eligible employees and non-executive directors on 1 June 2010. No non-executive directors currently participate in the plan.

The Group conducted a review of the Tax Deferred Plan following the passing of the tax legislation on 14 December 2009. The offer for the 2010/11 financial year was made to eligible employees and the non-executive directors on 1 June 2010.

3 REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of non-executive directors' remuneration for the years ended 30 June 2010 and 30 June 2009 are set out in the table below.

Non-executive director remuneration for the years ended 30 June 2010 and 30 June 2009

	Short-term employee benefits		Post-employment benefits	Total
	Fees	Superannuation Contributions[1]	Retirement benefits[2]	
Current non-executive directors				
David Ryan				
2010	**401,546**	**36,139**	**-**	**437,685**
2009	385,306	34,694	-	420,000
Jennifer Eve				
2010	**77,315**	**-**	**-**	**77,315**
2009	47,030	-	-	47,030
James Keyes				
2010	**39,597**	**-**	**-**	**39,597**
2009	47,030	-	-	47,030
Total				
2010	**518,458**	**36,139**	**-**	**554,597**
2009	479,366	34,694	-	514,060

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

2 *Amounts provided for by the Group during the financial year in relation to the contractual retirement benefits which the non-executive director will be entitled to upon retirement from office.*

GLOSSARY OF TERMS

Term	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Proportional EBITDA	EBITDA calculated based on percentage of Transurban asset ownership as follows: CityLink (100%), Hills M2 (100%), Roam (100%), Tollaust (100%), M1 Eastern Distributor (75.1%), M4 (50.61%), M5 (50%), M7 (50%) and DRIVe (75% including 67.5 % of Capital Beltway Express and 75% of Pocahontas 895). The proportional EBITDA result is included in the audited financial statements.
Statutory EBITDA	100% of the EBITDA from controlled entities (CityLink, Hills M2, M1 Eastern Distributor, M4, Roam, Tollaust) regardless of Transurban's ownership. It excludes the EBITDA contribution from non-controlled interests (M5 Motorway, Westlink M7 and DRIVe).
Proportional net costs	Net costs include the operating, corporate and business development costs of the Group less non-toll revenues (fees and other).
Total employment cost (TEC)	Base salary and other benefits including superannuation paid to an executive.
Short term incentive (STI)	An 'at risk' component of executive remuneration under which a cash reward may be payable based on achievement of individual and Group performance measures.
Long term incentive (LTI)	An 'at risk' component of executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance conditions.
Relative total shareholder return (TSR)	TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income which was reinvested on a pre-tax basis. Relative TSR measures the return on investment of a company relative to a peer group of companies. Relative TSR is one of the performance measures in determining the vesting of Transurban LTI program.

Non-audit services

The Group has an "External Auditor Independence" policy which is intended to support the independence of the external auditor by regulating the provision of services by the external auditor. The external auditor will not be engaged to perform any service that may impair or be perceived to impair the external auditor's judgement or independence. The external auditor will only provide a permissible non-audit service where there is a compelling reason for it to do so, and the aim is for the external auditor not to provide non-audit services at all. All non-audit services must be pre-approved by the Chief Financial Officer (services less than $5000) or the Chair of the Audit and Risk Committee (in all other cases).

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

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

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

	30 June 2010 $	30 June 2009 $
Audit services		
Audit and review of financial reports	**50,000**	50,000
Total remuneration for PricewaterhouseCoopers	**50,000**	50,000

There were no non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms during the current year.

Indemnification and Insurance

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

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

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 240.

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

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

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

David J Ryan
Director

Christopher J Lynch
Director

Melbourne
12 August 2010

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Transurban International Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Transurban International Limited and the entities it controlled during the period.

John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
12 August 2010

Transurban International Limited ARBN 121 746 825
Annual financial report - 30 June 2010

Contents

These financial statements cover the consolidated financial statements for the consolidated entity consisting of Transurban International Limited and its subsidiaries. The financial statements are presented in the Australian currency.

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

Transurban International Limited
22 Victoria Street
Hamilton
Bermuda

The financial report was authorised for issue by the directors on 12 August 2010. The company has the power to amend and reissue the financial report.

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

Transurban International Limited
Income statement
For the year ended 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Revenue			
Construction revenue	3	**9,952**	-
Business development revenue	3	**18,378**	28,674
		28,330	28,674
Administration costs		**(6,816)**	(7,392)
Business development costs		**(16,976)**	(37,373)
Construction costs		**(9,952)**	-
	4	**(33,744)**	(44,765)
Loss before depreciation and amortisation, net finance costs, equity accounted investments and tax		**(5,414)**	(16,091)
Depreciation and amortisation expense		**(332)**	(3,380)
Finance income		**445**	19,993
Finance costs		**(13,999)**	(13,590)
Net finance (costs)/income	5	**(13,554)**	6,403
Share of net (losses) of equity accounted investments	9	**(19,438)**	(24,950)
Loss before income tax		**(38,738)**	(38,018)
Income tax benefit (expense)	6	**4,626**	(1,683)
Loss for the year		**(34,112)**	(39,701)
Loss is attributable to:			
Owners of Transurban International Limited		**(34,112)**	(39,701)
		(34,112)	(39,701)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	26	**(2.6)**	(3.1)
Diluted earnings per share	26	**(2.6)**	(3.1)

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

Transurban International Limited
Statement of comprehensive income
For the year ended 30 June 2010

	30 June 2010 $'000	30 June 2009 $'000
Loss for the year	**(34,112)**	(39,701)
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	**(20,163)**	(42,438)
Exchange differences on translation of US operations	**1,337**	29,405
Other comprehensive income for the year, net of tax	**(18,826)**	(13,033)
Total comprehensive income for the year	**(52,938)**	(52,734)
Total comprehensive income for the year is attributable to:		
Owners of Transurban International Limited	**(52,938)**	(52,734)
	(52,938)	(52,734)

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

Transurban International Limited
Balance sheet
As at 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**13,743**	400
Trade and other receivables	8	**9,905**	21,915
Total current assets		**23,648**	22,315
Non-current assets			
Equity accounted investments	9	**242,321**	269,315
Property, plant and equipment	10	**681**	918
Deferred tax assets	11	**8,615**	6,417
Total non-current assets		**251,617**	276,650
Total assets		**275,265**	298,965
LIABILITIES			
Current liabilities			
Trade and other payables	12	**227,467**	257,048
Provisions	13	**6,831**	6,045
Other liabilities	14	**8,962**	5,349
Total current liabilities		**243,260**	268,442
Non-current liabilities			
Provisions	13	**23**	95
Total non-current liabilities		**23**	95
Total liabilities		**243,283**	268,537
Net assets		**31,982**	30,428
EQUITY			
Contributed equity	15	**192,977**	138,983
Reserves	16	**(49,896)**	(31,568)
Accumulated losses	16	**(111,099)**	(76,987)
Total equity		**31,982**	30,428

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

Consolidated	Notes	**Attributable to members of Transurban International Limited** Contributed equity $'000	**Reserves $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2008		**95,554**	**(18,700)**	**(37,286)**	**39,568**
Total comprehensive income for the year		**-**	**(13,033)**	**(39,701)**	**(52,734)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	15	1,411	-	-	1,411
Distribution reinvestment plan	15	41,530	-	-	41,530
Treasury securities	15	488	-	-	488
Changes in fair value of share based payment reserve	16	-	165	-	165
		43,429	165	-	43,594
Balance at 30 June 2009		**138,983**	**(31,568)**	**(76,987)**	**30,428**
Balance at 1 July 2009		**138,983**	**(31,568)**	**(76,987)**	**30,428**
Total comprehensive income for the year		**-**	**(18,826)**	**(34,112)**	**(52,938)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	15	47,647	-	-	47,647
Distribution reinvestment plan	15	5,885	-	-	5,885
Treasury securities	15	462	-	-	462
Changes in fair value of share based payment reserve	16	-	498	-	498
		53,994	498	-	54,492
Balance at 30 June 2010		**192,977**	**(49,896)**	**(111,099)**	**31,982**

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

Transurban International Limited
Cash flow statement
For the year ended 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**40,074**	19,653
Payments to suppliers and employees (inclusive of GST)		**(30,336)**	(29,717)
Interest received		**-**	13
Interest paid		**(172)**	(65)
Tax refunds / (income taxes paid)		**1,796**	(3,430)
Net cash inflow (outflow) from operating activities	25	**11,362**	(13,546)
Cash flows from investing activities			
Payments for property, plant and equipment		**(151)**	(1,181)
Payment for investments in equity accounted investments		**(24,804)**	(24,954)
Net cash (outflow) from investing activities		**(24,955)**	(26,135)
Cash flows from financing activities			
Proceeds from issue of shares, net of costs		**47,647**	1,110
Proceeds from sale of treasury securities, net of costs		**462**	788
Loans from related parties		**33,688**	88,459
Repayment of loans to related parties		**(54,623)**	(50,951)
Net cash inflow from financing activities		**27,174**	39,406
Net increase (decrease) in cash and cash equivalents		**13,581**	(275)
Cash and cash equivalents at the beginning of the financial year		**400**	1,000
Effects of exchange rate changes on cash and cash equivalents		**(238)**	(325)
Cash and cash equivalents at end of year	7	**13,743**	400

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

The financial report includes the consolidation entity consisting of Transurban International Limited and its subsidiaries ("the Group").

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

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

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

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

Financial statement presentation
The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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

(b) Principles of consolidation

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(c) Segment reporting

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

Change in accounting policy
The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach,' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the CEO. There has been no impact on the measurement of the company's assets and liabilities. Comparatives for 2009 have been restated.

(d) Foreign currency translation

Functional and presentation currency
The consolidated financial statements are presented in Australian dollars, which is Transurban Holdings Limited's (the ultimate parent of the Transurban Group) functional and presentation currency.

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

- Business development revenue - Business development fees are recognised when receivable, and to the extent of costs incurred and that these costs will be recovered.
- Interest income - Interest income is recognised using the effective interest rate method.
- Construction revenue - Construction revenue is recognised during the development phase of assets for sale to third parties.

(f) Income tax

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

Non-Bermudian entities
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

(g) Leases

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

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

1 Summary of significant accounting policies (continued)

(h) Business combinations

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

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

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

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

Changes in accounting policy
A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previously acquired deferred tax assets after the initial recognition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the Group as a result of applying the new standard.

(i) Impairment of assets

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

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

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

1 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

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

(k) Investments and other financial assets

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

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

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

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

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

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

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

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

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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

(l) Property, plant and equipment

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

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

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

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

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

(m) Financial liabilities

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

(n) Borrowings

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

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

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

1 Summary of significant accounting policies (continued)

(o) Borrowing costs

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

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

(p) Provisions

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

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

(q) Employee benefits

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

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

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

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

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction (net of tax) from the proceeds.

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

(s) Parent entity financial information

The financial information for the parent entity, Transurban International Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

(t) Goods and Services Tax (GST)

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

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

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

(u) Working capital deficiency

As at 30 June 2010 the Group has a working capital deficiency represented by net current liabilities of $219.6 million (2009: $246.1 million). This working capital deficiency reflects a number of specific factors primarily related to an intercompany loan payable with another entity within the Transurban Group. The directors have considered the position and believe it is unlikely that the loan will be called upon.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2010)
In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group does not expect any adjustments will be necessary as a result of applying the revised rules.

AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions [AASB2] (effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. There will be no impact on the financial report of the Group as this is consistent with the Group's current accounting policy.

AASB 9 Financial Instruments and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)*
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. Management continue to assess the impact of AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. There will be no impact on the financial report of the Group as this is consistent with the Group's current accounting policy.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010/1 January 2011)
In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2010. Management continues to assess the impact of AASB 2010-3 and AASB 2010-4 and does not expect that any adjustments will be necessary as the result of applying the revised rules.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Transurban International Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Group.

2 Segment information

Description of segments

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

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

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

Segment information - Proportional Income Statement

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

The segment information provided to the Executive Committee is presented on a proportional basis. The information for the reportable segments for the year ended 30 June 2010 and 30 June 2009 is as follows:

	Transurban DRIVe				Corporate	Total
30 June 2010	**Pocahontas 895 75.0%**	**Capital Beltway 67.5%**	**Other Transurban DRIVe 75.0%**	**Total Transurban DRIVe**	**100.0%**	
$'000						
Toll revenue from external customers	11,756	-	-	**11,756**	-	**11,756**
Fee and other revenue	51	-	-	**51**	**262**	**313**
Total revenue	**11,807**	**-**	**-**	**11,807**	**262**	**12,069**
Underlying proportional EBITDA	4,853	-	(4,373)	**480**	**(5,414)**	**(4,934)**
Proportional EBITDA	**4,853**	**-**	**(4,373)**	**480**	**(5,414)**	**(4,934)**
Interest revenue	87	3,513	-	**3,600**	**24**	**3,624**
Interest expense	(20,492)	-	-	**(20,492)**	**(13,999)**	**(34,491)**
Depreciation and amortisation	(10,076)	-	-	**(10,076)**	**(332)**	**(10,408)**
Foreign exchange gain	-	-	-	-	**422**	**422**
Proportional profit (loss) before tax	**(25,628)**	**3,513**	**(4,373)**	**(26,488)**	**(19,299)**	**(45,787)**
Income tax benefit (expense)	8,330	-	(1,280)	**7,050**	**4,626**	**11,676**
Proportional net profit (loss)	**(17,298)**	**3,513**	**(5,653)**	**(19,438)**	**(14,673)**	**(34,111)**

2 Segment information (continued)

30 June 2009	Transurban DRIVe Pocahontas 895 75.0%	Capital Beltway 67.5%	Other Transurban DRIVe 75.0%	Total Transurban DRIVe	Corporate 100.0%	Total
$'000						
Toll revenue from external customers	13,902	-	-	**13,902**	-	**13,902**
Fee and other revenue	-	-	-	-	**359**	**359**
Total revenue	**13,902**	**-**	**-**	13,902	**359**	**14,261**
Underlying proportional EBITDA	7,313	-	(6,146)	**1,167**	**(16,091)**	**(14,924)**
Proportional EBITDA	**7,313**	**-**	**(6,146)**	**1,167**	**(16,091)**	**(14,924)**
Interest revenue	138	-	-	**138**	**12**	**150**
Interest expense	(27,385)	-	-	**(27,385)**	**(13,589)**	**(40,974)**
Depreciation and amortisation	(12,421)	-	-	**(12,421)**	**(3,380)**	**(15,801)**
Foreign exchange gain	-	-	-	-	**20,106**	**20,106**
Proportional profit (loss) before tax	**(32,355)**	**-**	**(6,146)**	**(38,501)**	**(12,942)**	**(51,443)**
Income tax benefit (expense)	12,002	-	1,549	**13,551**	**(1,683)**	**11,868**
Proportional net profit (loss)	**(20,353)**	**-**	**(4,597)**	**(24,950)**	**(14,625)**	**(39,575)**

Other segment information - Proportional income statement

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

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

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

2 Segment information (continued)

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

Segment revenue reconciles to total statutory revenue as follows:

	30 June 2010 $'000	30 June 2009 $'000
Total segment revenue (proportional)	**12,069**	14,261
Less: Revenue of non-controlled assets	**(15,407)**	(14,040)
Construction revenue	**9,952**	-
Interest revenue	**3,624**	150
Business development revenue	**18,378**	28,674
Other	**(286)**	(371)
Total statutory revenue (note 3)	**28,330**	28,674

Interest revenue
Interest revenue is earned through bank interest revenue.

Interest revenue reconciles to total statutory finance income as follows:

	30 June 2010 $'000	30 June 2009 $'000
Total segment interest revenue (proportional)	**3,624**	150
Less: Interest revenue of non-controlled assets	**(3,600)**	(138)
Total statutory finance income	**24**	12

Proportional EBITDA
Proportional EBITDA reconciles to net loss for the year as follows:

	30 June 2010 $'000	30 June 2009 $'000
Proportional EBITDA	**(4,934)**	(14,924)
Less: Proportional EBITDA of Pocahontas	**(4,853)**	(7,313)
Less: Proportional EBITDA of DRIVe	**4,373**	6,146
Statutory loss before depreciation and amortisation, net finance costs, equity accounted investments and tax	**(5,414)**	(16,091)
Net finance costs	**(13,554)**	6,403
Statutory depreciation and amortisation	**(332)**	(3,380)
Share of associates profit/(loss)	**(19,438)**	(24,950)
Income tax benefit/(expense)	**4,626**	(1,683)
Loss for the year	**(34,112)**	(39,701)

2 Segment information (continued)

Segment information - Segment assets

The segment information provided to the CEO and Executive Committee in respect of asset are presented on a statutory consolidated basis. The information for the reportable segments for the periods ended 30 June 2010 and 30 June 2009 are as follows:

30 June 2010	**Transurban DRIVe $'000**	**Corporate $'000**	**Total $'000**
Total segment assets	242,321	32,944	275,265
Total segment assets includes:			
Investments in associates and joint venture partnerships	242,321	-	242,321
Additions to non-current assets (other than financial assets and deferred tax)	-	95	95

30 June 2009	**Transurban DRIVe $'000**	**Corporate $'000**	**Total $'000**
Total segment assets	269,315	29,650	298,965
Total segment assets includes:			
Investments in associates and joint venture partnerships	269,315	-	269,315
Additions to non-current assets (other than financial assets and deferred tax)	-	1,181	1,181

3 Revenue

	Notes	**30 June 2010 $'000**	30 June 2009 $'000
Construction revenue	(a)	**9,952**	-
Business development revenue	(b)	**18,378**	28,674
		28,330	28,674

(a) Construction revenue

Construction revenue is recognised during the development of assets for sale to third parties.

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

(b) Business development revenue

Business development revenue relates to the provision of development services.

4 Expenses

	30 June 2010 $'000	30 June 2009 $'000
Loss before income tax includes the following specific expenses:		
Employee benefits expense	**12,927**	15,334
Rental expense	**1,424**	1,955

5 Net finance costs

	30 June 2010 $'000	30 June 2009 $'000
Finance income		
Interest income	**24**	12
Foreign exchange gains	**421**	19,981
Total finance income	**445**	19,993
Finance costs		
Interest and finance charges paid/payable	**(13,999)**	(13,590)
Total finance costs	**(13,999)**	(13,590)
Net finance (costs)/income	**(13,554)**	6,403

6 Income tax benefit (expense)

	30 June 2010 $'000	30 June 2009 $'000
Income tax benefit (expense)		
Current tax	**(949)**	(3,758)
Deferred tax	**(2,517)**	2,722
Under/(Over) provided in prior years	**(1,160)**	2,719
	(4,626)	1,683
Deferred income tax (benefit) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 11)	**(4,716)**	4,179
(Decrease) increase in deferred tax liabilities	**2,199**	(1,457)
	(2,517)	2,722

6 Income tax benefit (expense) (continued)

	30 June 2010 $'000	30 June 2009 $'000
Numerical reconciliation of income tax benefit (expense) to prima facie tax payable		
Profit before income tax benefit (expense)	**(38,738)**	(38,018)
Tax at the Australian tax rate of 30% (2009 - 30%)	**(11,621)**	(11,405)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax differential	**(2,481)**	(3,088)
Share of equity accounted results	**7,581**	9,731
Income not subject to tax	**3,351**	1,110
Sundry items	**(296)**	2,616
Under/(over) provision in prior years	**(1,160)**	2,719
Income tax benefit (expense)	**(4,626)**	1,683

7 Current assets - Cash and cash equivalents

	30 June 2010 $'000	30 June 2009 $'000
Cash at bank and in hand	**13,743**	400
	13,743	400

8 Current assets - Trade and other receivables

	30 June 2010 $'000	30 June 2009 $'000
Loans to related parties	**6,248**	7,125
Other receivables	**2,679**	13,931
Current tax receivable	**945**	804
Prepayments	**33**	55
	9,905	21,915

No class within trade and other receivables contain impaired or passed due assets. Based on the credit history, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

9 Equity accounted investments

	Ownership interest 30 June 2010 %	Ownership interest 30 June 2009 %	Carrying amount 30 June 2010 $'000	Carrying amount 30 June 2009 $'000
Transurban DRIVe Holdings LLC	**75**	75	**242,321**	269,315
			242,321	269,315

Summarised financial information of associates

	Ownership Interest %	Company's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit/(loss) $'000
2010					
Transurban DRIVe Holdings LLC	75	2,105,467	(1,863,146)	11,807	(19,438)
		2,105,467	(1,863,146)	11,807	(19,438)
2009					
Transurban DRIVe Holdings LLC	75	2,014,388	(1,745,073)	14,550	(24,950)
		2,014,388	(1,745,073)	14,550	(24,950)

	DRIVe 30 June 2010 $'000	DRIVe 30 June 2009 $'000
Movements in carrying amounts		
Carrying amount at 1 July	**269,315**	250,441
Investment in associate	**24,452**	24,809
Share of profits (losses) after income tax	**(19,438)**	(24,950)
Movements in exchange rates	**(11,845)**	61,453
Movements in reserves	**(20,163)**	(42,438)
Carrying amount at 30 June	**242,321**	269,315
Share of associates' profits or losses		
Loss before income tax	**(26,488)**	(39,010)
Income tax (expense) benefit	**7,050**	14,060
Loss after income tax	**(19,438)**	(24,950)
Share of expenditure commitments		
Capital commitments	**780,440**	860,591
Operating commitments	**134,782**	154,827
	915,222	1,015,418

Contingent liabilities of associates

As at the reporting date there are no contingent liabilities

9 Equity accounted investments (continued)

Transurban DRIVe Holdings LLC

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

10 Non-current assets - Property, plant and equipment

	30 June 2010 $'000	30 June 2009 $'000
Opening balance		
Cost	**4,786**	3,970
Accumulated depreciation	**(3,868)**	(853)
Net book amount	**918**	3,117
Movement for the year		
Opening net book amount	**918**	3,117
Additions	**95**	1,181
Depreciation charge	**(332)**	(3,380)
Closing net book amount	**681**	918
Closing balance		
Cost	**4,712**	4,786
Accumulated depreciation	**(4,031)**	(3,868)
Net book amount	**681**	918

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

11 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
The balance comprises temporary differences attributable to:						
Accrued expenses	**70**	132	**(60)**	(392)	**10**	(260)
Provisions	**1,772**	1,278	**-**	-	**1,772**	1,278
Unearned income	**10,209**	6,176	**(8)**	-	**10,201**	6,176
Fixed Assets/ Intangibles	**-**	-	**(3,368)**	(917)	**(3,368)**	(917)
Other	**-**	140	**-**	-	**-**	140
Tax assets/(liabilities)	**12,051**	7,726	**(3,436)**	(1,309)	**8,615**	6,417
Set off of tax	**(3,436)**	(1,309)	**3,436**	1,309	**-**	-
Net tax assets/(liabilities)	**8,615**	6,417	**-**	-	**8,615**	6,417
Movements:						
Opening balance at 1 July	**7,726**	9,845	**(1,309)**	(2,229)	**6,417**	7,616
Credited/(charged) to the income statement	**4,716**	(4,179)	**(2,199)**	1,457	**2,517**	(2,722)
Foreign exchange movements	**(391)**	2,060	**72**	(537)	**(319)**	1,523
Closing balance at 30 June	**12,051**	7,726	**(3,436)**	(1,309)	**8,615**	6,417
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**12,051**	7,726	**(3,436)**	(1,309)	**8,615**	6,417
	12,051	7,726	**(3,436)**	(1,309)	**8,615**	6,417

12 Current liabilities - Trade and other payables

	30 June 2010 $'000	30 June 2009 $'000
Trade payables and accruals	**3,904**	3,291
Loans from related parties (note 21)	**223,563**	253,757
	227,467	257,048

13 Provisions

	Notes	30 June 2010 $'000	30 June 2009 $'000
Current			
Employee benefits	(a)	**4,318**	3,065
Onerous contracts	(b)	**2,513**	2,980
		6,831	6,045
Non-current			
Employee benefits	(a)	**23**	95
		23	95
Total provisions		**6,854**	6,140

Movements in provisions

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

	Onerous contracts $'000
Consolidated - 2010	
Carrying amount at start of year	2,980
Provision recognised	-
Amounts paid during the year	(340)
Movements in foreign exchange rates	(127)
Carrying amount at end of year	2,513

Description of provisions

(a) Employee benefits

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

(b) Onerous contracts

An onerous contract provision has been recognised for the lease of premises no longer occupied by the Group.

14 Current liabilities - Other liabilities

	Notes	30 June 2010 $'000	30 June 2009 $'000
Unearned income	(a)	**8,962**	5,349
		8,962	5,349

(a) Unearned income

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

15 Contributed equity

	30 June 2010 $'000	30 June 2009 $'000
Share capital		
Fully paid ordinary shares	**192,977**	138,983
	192,977	138,983
	Number '000	Number '000
Fully paid ordinary shares	**1,414,294**	1,281,363
	1,414,294	1,281,363

Movements in ordinary share capital:

	Notes	Number of securities '000	$'000
Opening balance at 1 July 2008		**1,218,263**	**95,554**
Distribution Reinvestment Plan	(a)	60,591	41,530
Purchase, disposal and vesting of treasury securities	(b)	679	488
Share purchase plan, net of transaction costs	(c)	1,830	1,411
Closing balance at 30 June 2009		**1,281,363**	**138,983**
Opening balance at 1 July 2009		**1,281,363**	**138,983**
Distribution Reinvestment Plan	(a)	14,068	5,885
Purchase, disposal and vesting of treasury securities	(b)	946	462
Equity placement, net of transaction costs	(d)	117,917	47,647
Closing balance at 30 June 2010		**1,414,294**	**192,977**

(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. Securities are to be issued under the plan at a 2.5% discount to the market price for the 30 June 2010 distribution.

(b) Treasury securities

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

(c) Share purchase plan

In the prior year, the Transurban Group raised $10.0 million via a share purchase plan, issuing 1.8 million stapled securities to eligible security holders. TIL's share was $1.4 million, net of costs.

(d) Equity placement

The Transurban Group raised $542.4 million via an equity raising, issuing 117.9 million stapled securities. TIL's share was $47.6 million, net of costs.

15 Contributed equity (continued)

Ordinary shares

The number of shares on issue is 1,414,667,986 (2009: 1,282,682,606). The difference of 373,804 (2009: 1,319,606) relates to treasury securities of the Group.

All shares issued are a component of stapled securities issued by the Transurban Group. Prior to June 2008, a nil value was assigned to TIL, with the value being apportioned between Transurban Holdings Limited and Transurban Holding Trust.

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

Capital risk management

The Group is subject to a gearing ratio covenant imposed by senior secured lenders. The Group monitors capital on the basis of the gearing ratio to ensure compliance with the covenant.

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

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

16 Reserves and accumulated losses

	30 June 2010 $'000	30 June 2009 $'000
Reserves		
Cash flow hedges	**(75,765)**	(55,602)
Share-based payments	**663**	165
Foreign currency translation	**34,431**	33,094
Transactions with non-controlling interest	**(9,225)**	(9,225)
	(49,896)	(31,568)
Movements:		
Cash flow hedges		
Balance 1 July	**(55,602)**	(13,164)
Movement in associate's reserve (note 9)	**(20,163)**	(42,438)
Balance 30 June	**(75,765)**	(55,602)
Share-based payments		
Balance 1 July	**165**	-
Employee share plan expense	**498**	165
Balance 30 June	**663**	165
Foreign currency translation		
Balance 1 July	**33,094**	3,689
Currency translation differences arising during the year	**1,337**	29,405
Balance 30 June	**34,431**	33,094

16 Reserves and accumulated losses (continued)

	30 June 2010 $'000	30 June 2009 $'000
Transactions with non-controlling interests		
Balance 1 July	**(9,225)**	(9,225)
Balance 30 June	**(9,225)**	(9,225)

Accumulated losses

Movements in (accumulated losses) were as follows:

Balance at 1 July	**(76,987)**	(37,286)
Net (loss) for the year	**(34,112)**	(39,701)
Balance 30 June	**(111,099)**	(76,987)

Nature and purpose of reserves

Cash flow hedges
The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income and accumulated in this reserve in equity. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit and loss.

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

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

Transactions with non-controlling interests
The transactions with non-controlling interests arose as a result of the acquisition of Transurban (USA) Holdings Inc. and its subsidiaries Transurban (USA) Inc. and Transurban (USA) Operations Inc. from a commonly controlled Transurban Group entity (Transurban Limited).

17 Dividends

No dividends were paid or declared during the year.

18 Remuneration of auditors

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

	30 June 2010 $	30 June 2009 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit services		
Audit and review of financial reports	**50,000**	50,000
Total remuneration for PricewaterhouseCoopers	**50,000**	50,000

19 Contingencies

Contingent liabilities

The parent entity and the Group had contingent liabilities at 30 June 2010 in respect of:

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

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

The Group owns 75% of the equity of DRIVe and recognises this investment in the consolidated financial statements using the equity method of accounting. DRIVe holds 90% of the equity in Capital Beltway Express and, from time to time, is required to make equity contributions to Capital Beltway Express to fund the equity component of the Capital Beltway project costs. The total equity contribution DRIVe is obliged to make to Capital Beltway Express is US$313,825,757, of which US$133,064,838 had been paid at balance sheet date.

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

Contingent assets

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

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

20 Intra-group guarantees

As at 30 June 2010, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security.

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

21 Related party transactions

The following transactions occurred with related parties:

	30 June 2010 $	30 June 2009 $
Transactions with related parties		
Revenue from services provided to associate		
Business development fees	**18,079,638**	28,259,082
Management fees	**297,821**	413,752
	18,377,459	28,672,834
Loans to/from related parties		
Loans to related parties		
Beginning of the period	**7,124,659**	45,837,702
Loans advanced	**15,177,946**	124,163,519
Repayment of loans	**(16,055,556)**	(153,620,008)
Foreign exchange movements	**924**	(9,256,554)
	6,247,973	7,124,659
Loans from related parties		
Beginning of the period	**253,755,701**	261,605,671
Loans advanced	**316,571,583**	620,371,574
Loan repayments	**(346,278,973)**	(622,571,235)
Foreign exchange movements	**(485,665)**	(5,650,309)
	223,562,646	253,755,701

Other related parties

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

Ms Eve is an Associate of Appleby (Legal from within Burmuda). During the year Transurban International Limited utilised Appleby for various legal services. These services are based on normal commercial terms.

22 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 2010 %**	Equity holding 2009 %
Transurban International Holdings Limited	Bermuda	Ordinary	**100**	100
Transurban (USA) Holdings Inc	USA	Ordinary	**100**	100
Transurban (USA) Inc	USA	Ordinary	**100**	100
Transurban DRIVe Management LLC	USA	Ordinary	**100**	100
Transurban (USA) Operations Inc.	USA	Ordinary	**100**	100

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

23 Parent entity financial information

Summary financial information

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

	30 June 2010 $'000	30 June 2009 $'000
Balance sheet		
Current assets	**207,204**	156,888
Non-current assets	**1**	1
Total assets	**207,205**	156,889
Current liabilities	**71**	-
Non-current liabilities	**-**	-
Total liabilities	**71**	-
Shareholders' equity		
Contributed equity	**192,977**	138,983
Reserves	**15,157**	18,872
Accumulated losses	**(1,000)**	(966)
	207,134	156,889
Loss for the year	**(34)**	(338)
Total comprehensive income	**(4,247)**	18,309

Contingent liabilities and guarantees of the parent entity

For details of contingent liabilities and guarantees of the parent entity, refer to note 19.

24 Events occurring after the balance sheet date

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

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

	30 June 2010 $'000	30 June 2009 $'000
Loss for the year	**(34,112)**	(39,701)
Depreciation and amortisation	**332**	3,380
Share of net profits (losses) of equity accounted investments	**19,438**	24,950
Change in operating assets and liabilities	**-**	-
Decrease in prepayments	**22**	2
Decrease (increase) in trade and other receivables	**11,252**	(5,364)
Non cash related party loans	**11,829**	3,473
Increase (decrease) in trade payables and accruals	**613**	(1,410)
Increase (decrease) increase in provisions	**714**	(1,340)
Increase in unearned income	**3,613**	3,683
Movement in current taxes and deferred taxes	**(2,339)**	(1,219)
Net cash inflow (outflow) from operating activities	**11,362**	(13,546)

26 Loss per share

	30 June 2010 Cents	30 June 2009 Cents
Basic earnings per share		
Loss attributable to the ordinary equity holders of the company	**(2.6)**	(3.1)
Total basic loss per share attributable to the ordinary equity holders of the company	**(2.6)**	(3.1)
Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	**(2.6)**	(3.1)
Total diluted loss per share attributable to the ordinary equity holders of the company	**(2.6)**	(3.1)

Reconciliations of losses used in calculating loss per share

	30 June 2010 $'000	30 June 2009 $'000
Basic and diluted earnings per share		
Loss for the year	**(34,112)**	(39,701)
Loss attributable to the ordinary equity holders of the Group used in calculating basic loss per share	**(34,112)**	(39,701)

26 Loss per share (continued)

Weighted average number of shares used as the denominator

	30 June 2010 Number	30 June 2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**1,301,035,941**	1,267,502,187
Adjustments for calculation of diluted loss per share:		
Performance rights	**2,750,885**	1,297,389
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**1,303,786,826**	1,268,799,576

Loss per share

Basic loss per share

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

Diluted loss per share

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

27 Share-based payments

The disclosure below represents the Share based payment plans offered by the Transurban Group.

2009 and 2010 Performance Awards Plan

The Performance Awards Plan (PAP) is a modified version of the 2008 Performance Rights Plan (PRP) discussed below. Under the PAP, eligible executives receive a grant of Performance Awards which entitles participants to receive securities at no cost subject to the achievement of performance conditions. The Board has discretion as to the form of the award at the end of the performance period and may grant cash payments of equivalent value at vesting. No dividends or distributions on securities are payable to participants prior to vesting.

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

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

27 Share-based payments (continued)

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	Fair value at grant date ($) EBIDTA	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010								
1 Nov 2008	1 Nov 2011	3.30	4.27	1,314,288	-	-	(36,658)	1,277,630
11 Dec 2009	11 Dec 2012	3.33	4.97	-	1,990,913	-	-	1,990,913
Total				1,314,288	1,990,913	-	(36,658)	3,268,543
Weighted average exercise price				$3.79	$4.15	$-	$3.79	$4.01

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	Fair value at grant date ($) EBIDTA	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
2009								
1 Nov 2008	1 Nov 2011	3.30	4.27	-	1,345,370	-	(31,082)	1,314,288
Total				-	1,345,370	-	(31,082)	1,314,288
Weighted average exercise price				$-	$3.79	$-	$3.79	$3.79

2009 Executive Equity Plan

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

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

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

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

Grant Date	Expiry date	Fair value at grant date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2008	1 Nov 2011	$4.27	611,692	-	(2,953)	(60,089)	548,650
Total			611,692	-	(2,953)	(60,089)	548,650
Weighted average exercise price			$4.27	$-	$4.26	$4.13	$4.27

27 Share-based payments (continued)

Grant Date	Expiry date	Fair value at grant date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2008	1 Nov 2011	$4.27	-	632,886	(722)	(20,472)	611,692
Total			-	632,886	(722)	(20,472)	611,692
Weighted average exercise price			$-	$4.27	$4.27	$4.27	$4.27

2008 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.

Australian based plan

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	EBIDTA	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2007	1 Nov 2010	3.50	5.96	345,854	-	(14,260)	331,594
Total				345,854	-	(14,260)	331,594
Weighted average exercise price				$4.73	$-	$4.73	$4.73

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	EBIDTA	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2007	1 Nov 2010	3.50	5.96	654,610	-	(308,756)	345,854
Total				654,610	-	(308,756)	345,854
Weighted average exercise price				$4.73	$-	$4.73	$4.73

27 Share-based payments (continued)

Overseas based plan

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

Grant Date	Vesting / Expiry date	Fair value at grant date ($) TSR	DRIVe mgt fee	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2007	1 Nov 2010	3.50	5.96	253,456	21,534	(27,429)	247,561
Total				253,456	21,534	(27,429)	247,561
Weighted average exercise price				$3.32	$3.32	$3.32	$3.32

The assessed fair value of the US participants at reporting date is: TSR $4.33 (2009: $2.78) and DRIVe management fee $4.18 (2009: 3.86).

2006 and 2007 Executive Loan Plan

The Executive Loan Plan (ELP) was discontinued as of the 2007 financial year. The ELP rewarded the improvements in the price of Transurban's stapled securities over a three year period with relative Total Security holder Return (TSR) against the S&P/ASX 100 Industrials as a performance measure. Executives based outside Australia were eligible to participate in a cash based plan similarly structured to the ELP.

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

27 Share-based payments (continued)

Set out below are securities granted under the plan.

Australian Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2006	1 Nov 2009	$7.28	897,346	-	-	(897,346)	-
Total			897,346	-	-	(897,346)	-
Weighted average grant price			$7.28	$-	$-	$7.28	$-

Overseas Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
2010							
1 Nov 2006	1 Nov 2009	$7.28	270,000	-	-	(270,000)	-
Total			270,000	-	-	(270,000)	-
Weighted average grant price			$7.28	$-	$-	$7.28	$-

27 Share-based payments (continued)

Australian Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2005	1 Nov 2008	$6.47	814,200	-	(696,831)	(117,369)	-
1 Nov 2006	1 Nov 2009	$7.28	1,175,000	-	-	(277,654)	897,346
Total			1,989,200	-	(696,831)	(395,023)	897,346
Weighted average grant price			$6.95	$-	$6.47	$7.04	$7.28

Overseas Based Plan

Grant Date	Expiry date	Grant price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
2009							
1 Nov 2005	1 Nov 2008	$6.47	189,700	-	(189,700)	-	-
1 Nov 2006	1 Nov 2009	$7.28	300,000	-	-	(30,000)	270,000
Total			489,700	-	(189,700)	(30,000)	270,000
Weighted average grant price			$6.95	$-	$6.47	$7.28	$7.28

Assessed fair value

The assessed fair value at grant date of the plans above has been independently determined using a Black-Scholes option pricing model that takes into account the term of the right/award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right/award.

27 Share-based payments (continued)

Employee security scheme

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

All Australian based permanent employees are eligible to participate in either the Investment Tax Exempt Plan or the Investment Tax Deferred Plan. Under the plans, Transurban provides participants with a matching component toward the acquisition of the stapled securities. For the period 1 July 2009 to 30 June 2010, the cost of company matches was $125,517 (2009: $33,292) for the Investment Tax Exempt Plan and $nil (2009: $207,417) for the Investment Tax Deferred Plan. These plans were suspended in May 2009 following changes to taxation announced in the Federal budget. The Group reactivated the Tax Exempt Plan in the year ended 30 June 2010 and has reactivated the Investment Tax Deferred Plan for the 2011 financial year. These have been reactivated with the required modifications as a result of legislation changes.

The third element under the Plan is the Incentive Plan. Subject to Board approval and the performance of the company, eligible employees may receive a certain number of Transurban securities at no cost to them.

In February 2010, each participant was allocated 100 stapled securities at a value of $5.27 per security. Stapled securities provided under the Plan were acquired on the open market.

	2010 Number	2009 Number
Shares purchased on the market under the plan and provided to participating employees	**44,800**	45,300

Expenses arising from shared-based payments

Total expenses arising from share-based payment transaction recognised during the period as part of employee benefit expense was $5.2 million (2009: $1.6 million).

28 Key management personnel disclosures

Directors

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

Executive directors
Christopher Lynch

Non-executive directors
David J Ryan (Chairman)
Jennifer S Eve
James M Keyes

Other key management personnel

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

T Honan	Chief Finance Officer (from 14 October 2008)
B Bourke	Chief Operating Officer
D Cardiff	Group General Manager Human Resources (resigned 30 November 2009)
K Daley	President International Development
M Kulper	President Transurban North America
S Hogg	Acting Group General Manager People, Legal and Governance
M Fletcher	Group General Manager Public Affairs
A Head	Group General Manager Strategy & Corporate Development
E Mildwater	Chief Legal Counsel and Company Secretary

Key management personnel compensation

The remuneration amounts below represent the entire amounts paid by the Transurban Group. The full amounts have been disclosed as a reasonable basis of apportionment is not available to reflect the Group's portion.

	30 June 2010 $	30 June 2009 $
Short-term employee benefits	**14,083,358**	14,705,962
Post-employment benefits	**312,832**	656,016
Long-term benefits	**110,982**	182,876
Termination benefits	**268,637**	-
Share-based payments	**3,374,589**	1,857,574
	18,150,398	17,402,428

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

Equity instrument disclosures relating to key management personnel

Share based payments

Details of long-term incentives provided as remuneration and shares issued, together with terms and conditions of long-term incentives, can be found in the remuneration report in the directors' report.

28 Key management personnel disclosures (continued)

Performance Awards Plan (PAP)

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

2010 Name	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the Group						
C Lynch	483,721	617,211	-	-	1,100,932	-
Other key management personnel of the Group						
B Bourke	85,465	109,050	-	-	194,515	-
D Cardiff	46,512	-	-	(29,749)	16,763	-
K Daley	67,151	111,276	-	-	178,427	-
M Fletcher	34,884	47,478	-	-	82,362	-
A Head	46,512	59,347	-	-	105,859	-
S Hogg	23,256	47,478	-	-	70,734	-
T Honan	232,558	148,368	-	-	380,926	-
M Kulper	145,422	161,956	-	-	307,378	-
E Mildwater	29,070	66,766	-	-	95,836	-

2009 Name	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C Lynch	-	483,721	-	-	483,721	-
Other key management personnel of the Group						
B Bourke	-	85,465	-	-	85,465	-
D Cardiff	-	46,512	-	-	46,512	-
K Daley	-	67,151	-	-	67,151	-
M Fletcher	-	34,884	-	-	34,884	-
A Head	-	46,512	-	-	46,512	-
S Hogg	-	23,256	-	-	23,256	-
T Honan	-	232,558	-	-	232,558	-
M Kulper	-	145,422	-	-	145,422	-
E Mildwater	-	29,070	-	-	29,070	-

28 Key management personnel disclosures (continued)

Executive Loan Plan

The number of Stapled Securities held under the executive loan plan during the financial year by each director of Transurban International Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2010 Name	**Balance at start of the year**	**Granted during the year as remuneration**	**Exercised during the year**	**Other changes during the year**	**Balance at end of the year**	**Vested and exercisable at the end of the year**
Other key management personnel of the Group						
B Bourke	160,000	-	-	(160,000)	-	-
D Cardiff	35,000	-	-	(35,000)	-	-
K Daley	100,000	-	-	(100,000)	-	-
M Fletcher	15,000	-	-	(15,000)	-	-
A Head	22,500	-	-	(22,500)	-	-
M Kulper	100,000	-	-	(100,000)	-	-

2009 Name	**Balance at start of the year**	**Granted during the year as remuneration**	**Exercised during the year**	**Other changes during the year**	**Balance at end of the year**	**Vested and exercisable at the end of the year**
Other key management personnel of the Group						
B Bourke	262,000	-	(90,005)	(11,995)	160,000	-
D Cardiff	63,500	-	(25,148)	(3,352)	35,000	-
K Daley	174,000	-	(74,000)	-	100,000	-
M Fletcher	15,000	-	-	-	15,000	-
A Head	37,501	-	(15,001)	-	22,500	-
M Kulper	190,000	-	(90,000)	-	100,000	-

28 Key management personnel disclosures (continued)

Stapled security holdings
The number of Stapled Securities held during the financial year by each director of Transurban International Limited and other key management personnel of the Group, including their personally-related parties, are set out below.

Stapled Securities

2010 Name	**Balance at start of the year**	**Received during the year via the Performance Rights Plan**	**Received during the year via the Executive Equity Plan**	**Other changes during the year**	**Balance at end of the year**
Directors of the Group					
D J Ryan	60,945	-	-	5,541	66,486
C Lynch	233,041	-	-	21,925	254,966
Other key management personnel of the Group					
B Bourke	460,151	-	-	100	460,251
D Cardiff	158,477	-	-	(158,477)	-
K Daley	384,578	-	-	100	384,678
M Fletcher	33,491	-	-	1,000	34,491
A Head	23,742	-	-	100	23,842
S Hogg	22,781	-	-	(7,265)	15,516
T Honan	85,474	-	-	8,100	93,574
M Kulper	103,944	-	-	-	103,944
E Mildwater	24,640	-	-	556	25,196

2009 Name	**Balance at start of the year**	**Received during the year via the Performance Rights Plan**	**Received during the year via the Executive Equity Plan**	**Other changes during the year**	**Balance at end of the year**
Directors of the Group					
D J Ryan	57,300	-	-	3,645	60,945
C Lynch	152,800	-	79,647	594	233,041
Other key management personnel of the Group					
B Bourke	539,661	-	19,146	(98,656)	460,151
D Cardiff	167,633	-	19,146	(28,302)	158,477
K Daley	365,332	-	19,146	100	384,578
M Fletcher	15,121	-	19,146	(776)	33,491
A Head	4,596	-	19,146	-	23,742
S Hogg	-	-	15,316	7,465	22,781
T Honan	-	-	85,474	-	85,474
M Kulper	80,000	-	23,944	-	103,944
E Mildwater	4,700	-	19,146	794	24,640

28 Key management personnel disclosures (continued)

Executive Equity Plan (EEP)
The number of Stapled Securities held under the executive loan plan during the financial year by each director of Transurban International Limited and other key management personnel of the Group, including their personally-related parties, are set out below.

2010 Name	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Directors of the Group						
C J Lynch	79,647	-	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	19,146	-	-	-	19,146	-
D Cardiff	19,146	-	-	(19,146)	-	-
K Daley	19,146	-	-	-	19,146	-
M Fletcher	19,146	-	-	-	19,146	-
A Head	19,146	-	-	-	19,146	-
S Hogg	15,316	-	-	-	15,316	-
T Honan	85,474	-	-	-	85,474	-
M Kulper	23,944	-	-	-	23,944	-
E Mildwater	19,146	-	-	-	19,146	-

2009 Name	Balance at start of the year	Granted during the year as remuneration	Matured and paid during the year	Other changes during the year	Balance at end of the year	Matured and payable at the end of the year
Directors of the Group						
C J Lynch	-	79,647	-	-	79,647	-
Other key management personnel of the Group						
B Bourke	-	19,146	-	-	19,146	-
D Cardiff	-	19,146	-	-	19,146	-
K Daley	-	19,146	-	-	19,146	-
M Fletcher	-	19,146	-	-	19,146	-
A Head	-	19,146	-	-	19,146	-
S Hogg	-	15,316	-	-	15,316	-
T Honan	-	85,474	-	-	85,474	-
M Kulper	-	23,944	-	-	23,944	-
E Mildwater	-	19,146	-	-	19,146	-

28 Key management personnel disclosures (continued)

Performance Rights Plan (PRP)
The number of rights held under the PRP during the financial year by each director of Transurban International Limited and other key management personnel, including their personally-related parties, are set out below.

2010 Name	**Balance at start of the year**	**Granted during the year as remuneration**	**Exercised during the year**	**Other changes during the year**	**Balance at end of the year**	**Vested and exercisable at the end of the year**
Other key management personnel of the Group						
B Bourke	92,857	-	-	-	92,857	-
D Cardiff	27,428	-	-	(8,401)	19,027	-
K Daley	78,571	-	-	-	78,571	-
M Fletcher	11,142	-	-	-	11,142	-
A Head	14,857	-	-	-	14,857	-
M Kulper	76,778	-	-	-	76,778	-

2009 Name	**Balance at start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at end of the year**	**Matured and payable at the end of the year**
Other key management personnel of the Group						
B Bourke	92,857	-	-	-	92,857	-
D Cardiff	27,428	-	-	-	27,428	-
K Daley	78,571	-	-	-	78,571	-
M Fletcher	11,142	-	-	-	11,142	-
A Head	14,857	-	-	-	14,857	-
M Kulper	76,778	-	-	-	76,778	-

Other transactions with key management personnel

Jennifer Eve is an associate with Appleby. During the year the Group utilised Appleby for various legal services. These services are based on normal commercial terms.

29 Critical accounting estimates and judgements

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

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

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

Estimated impairment of the investment of equity in DRIVe
The Group tests whether the investment of equity in DRIVe has suffered any impairment, in accordance with the accounting policy stated in note 1(i).

30 Financial risk management

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

Market risk

Foreign exchange risk
The Group operates internationally and is exposed primarily to foreign exchange risk arising from currency exposures to the Australian dollar. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting date, expressed in Australian dollar, was as follows:

	30 June 2010 AUD $'000	30 June 2009 AUD $'000
Cash and cash equivalents	**68**	13
Receivables	**1,953**	1,228
Payables	**(5,229)**	(2,226)
Provisions	**-**	(4,049)
Net exposure	**(3,208)**	(5,034)

The above table is presented in the currency in which the exposure exists. The Australian dollar exposure exists in the US dollar functional currency entities.

Sensitivity
Based on the financial instruments held at end of the period, had the U.S. dollar strengthened/weakened by 10 cents against the Australian dollar with all other variables held constant, the Group's post-tax profit for the year would have been $131,000 higher (2009: $187,000 higher) or $155,000 lower (2009: $220,000 lower), as a result of foreign exchange gains/losses on translation of Australian dollar denominated financial instruments as detailed in the above table.

30 Financial risk management (continued)

Cash flow interest rate risk
The Group's main exposure to interest rate risk arises from long-term intercompany borrowings and funds on deposit.

As at the reporting date, the Group had the following variable rate borrowings outstanding. An analysis of maturities is provided in liquidity risk below.

	30 June 2010		30 June 2009	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	**-%**	**(13,743)**	-%	(400)
Net exposure to cash flow interest rate risk		**(13,743)**		(400)

Sensitivity
At 30 June 2010, 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 $84,000 higher (2009: $2,000 higher).

Credit risk

The Group has no significant concentrations of credit risk from operating activities and has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history.

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

Liquidity risk

The Group maintains sufficient cash to maintain short-term flexibility and enable the Group to meet financial commitments in a timely manner. Treasury assesses liquidity over the short term (up to 12 months) and medium term (1 - 5 years) by maintaining accurate forecasts of operating expenses, committed capital expenditure and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

Short term liquidity is managed by maintaining a strategic liquidity reserve. This reserve is based on the Group's forecast annual operating costs and certain risk exposure scenarios as maintained by the Group's strategic risk register, and is maintained as cash. The reserve is maintained on a rolling 12 month basis. Medium term liquidity forecasting is maintained on a 5 year horizon.

Maturities of financial liabilities
The tables below analyse the Group’s financial liabilities, 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.

30 Financial risk management (continued)

Contractual maturities of financial liabilities	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying Amount (assets)/ liabilities**
At 30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives								
Non-interest bearing	3,904	-	-	-	-	-	3,904	3,904
Fixed rate	236,753	-	-	-	-	-	236,753	223,563
Total non-derivatives	240,657	-	-	-	-	-	240,657	227,467

At 30 June 2009

	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives								
Non-interest bearing	3,291	-	-	-	-	-	3,291	3,291
Fixed rate	268,728	-	-	-	-	-	268,728	253,756
Total non-derivatives	272,019	-	-	-	-	-	272,019	257,047

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 241 to 289 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 2010 and of its performance for the financial year ended on that date, and

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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of the directors.

David J Ryan
Director

Christopher J Lynch
Director

Melbourne
12 August 2010

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

Report on the financial report

We have audited the accompanying financial report of Transurban International Limited (the company), which comprises the balance sheet as at 30 June 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Transurban International Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

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

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

Auditor's opinion

In our opinion:

(a) the financial report of Transurban International Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 214 to 237 of the directors' report for the year ended 30 June 2010 The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Transurban International Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

John Yeoman
Partner

Melbourne
12 August 2010

ENQUIRIES AND INFORMATION

ENQUIRIES ABOUT YOUR TRANSURBAN STAPLED SECURITIES

The Stapled Securities Register is maintained by Computershare Investor Services Pty Ltd.

If you have a question about your Transurban securities or distributions please contact:

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