

## asx release

25 September 2007

### 2007 Annual Report and Financial Statements

In accordance with ASX Listing Rule 3.17, Transurban advises that the 2007 Annual Report comprising of the Security Holder Review and Financial Statements has been mailed to security holders today. Security holders who have elected not to receive the financial statements in hardcopy will be sent the Security Holder Review only.

Copies of the documents referred to above are attached and are available online at [www.transurban.com](http://www.transurban.com).



Paul O'Shea  
Company Secretary

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Classification **Public**

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# CREATING VALUE

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Security Holder Review 2007

*transurban*

## Your new look security holder review

Transurban's annual report documents take on a new look this year. Our aim is to better inform our investors while meeting our statutory reporting obligations and reducing costs.

This security holder review presents the highlights of the year in an easy-to-read, accessible format. It covers major events of FY07 and summarises the annual financial results. The review replaces the former annual report document.

The Consolidated Group Accounts and Corporate Governance section—which in previous years formed part of the annual report—have been moved to the financial statements document.

Investors who have opted not to receive printed reports will not be sent the financial statements. They can be downloaded from our website [www.transurban.com](http://www.transurban.com). This security holder review has been distributed to all investors to keep them up-to-date on developments in the business.

If you would like to comment on our new look, please email [corporate@transurban.com](mailto:corporate@transurban.com)

### Cover image:

Transurban's 47.5 per cent owned Westlink M7 soars above traffic on the M4 Western Motorway, part of the Sydney Roads Group portfolio acquired in FY07.

Transurban® is a registered trade mark of Transurban Limited, ACN 098 143 410.

Transurban DRIVE™ is a trade mark of Transurban Limited, ACN 098 143 410.

# CREATING VALUE

This report covers the financial results and activities of Transurban Group in Financial Year 2007. It continues the story of long term, consistent value creation for Transurban's security holders.

# FY07 HIGHLIGHTS

## During the year Transurban:

### Increased underlying earnings by 38%...

The Group **increased revenue** and **reduced costs** (comparing assets held in both FY06 and FY07)

### acquired interests in three Sydney roads...

Transurban took over **Sydney Roads Group**, and now has interests in five of Sydney's nine motorways

### secured co-investors for North America...

**DRIVE**, Transurban's North American co-investment vehicle, was launched with the support of long-term partners (at start of FY08)

### earned recognition for sustainability...

Transurban was listed for the first time in the **Dow Jones Sustainability Index** (DJSI), World list of high performing companies

### and paid distributions of 54 cents per security.

Transurban delivered on its forecast **distributions** to investors

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The Domain Tunnel on CityLink is a critical part of Melbourne's major east-west road link.

## By the Chairman and the Managing Director

Transurban had a successful year in FY07.

Revenue was up 25 per cent, underlying earnings were 38 per cent higher and costs were down by 8 per cent (comparing assets held in both FY06 and FY07). Investors received total distributions of 54 cents per security for the financial year, 77.5 per cent tax deferred.

Just as importantly, FY07 and the months since have seen Transurban transform itself to take advantage of new opportunities in North America and in Australia:

- We took over Sydney Roads Group (SRG), giving us a stake in three additional toll roads
- We established DRiVe, a new co-investment vehicle focussed on projects in the United States and Canada
- We completed the corporate restructure approved by security holders at last year's Annual General Meeting, and
- We were named as leaders in two major corporate sustainability indexes.

Following the acquisition of SRG, we now have a stake in five of the privately financed toll roads in Sydney. This will allow us to work with government to deliver network-wide solutions for some of Sydney's major transport challenges, and puts us in a strong position to further grow our New South Wales business.

DRiVe will allow us to share the costs and risks of investing in new projects in North America with external investors. Transurban will earn returns from its share of the assets DRiVe owns and a fee stream for managing and operating those assets.



From left: David Ryan AO, Chairman and Kim Edwards, Managing Director

The corporate restructure involved issuing our security holders with shares in a new entity, Transurban International Limited. It was set up to provide an efficient means of making cash distributions to investors from future off-shore assets.

Community concern about climate change has heightened the demands on business to operate in a sustainable way. During the year, Transurban was listed for the first time in the Dow Jones Sustainability Index (DJSI) World list of high performing companies. We were also included in the Climate Leaders List for Australia and New Zealand in the Carbon Disclosure Project, which is run by hundreds of the world's major institutional investors.

## High points

Here are some of the other key milestones over FY07 and the months since:

- In Melbourne, the Tullamarine and Calder freeway interchange was completed and the forecast uplift in CityLink traffic and revenue is on track
- Additional lanes opened on part of Hills M2 in Sydney
- A total of \$723 million in debt was refinanced during FY07. A total of \$600 million in bank and SRG debt was refinanced on attractive terms in August 2007, and
- The US Government's Federal Highway Administration agreed to provide Transurban with concessional loan funding so we can build a new tolled link from our road concession in Virginia—the Pocahontas Parkway—to the Richmond International Airport.

## Active management

All our roads are performing well, delivering growing, inflation-protected revenues. Traffic growth was good, with even better increases in revenue on each road. This reflects Transurban's focus on day to day active management of the assets.

There was one 'lowlight' in the year which we must mention—the Burnley Tunnel incident on CityLink in Melbourne in March 2007. Three people lost their lives in a multi-vehicle accident. The fire that followed led to the evacuation of the tunnel. It was the worst day in Transurban's history. The only comfort we can take is that our safety and evacuation procedures worked, and worked well. We recognise that is little or no comfort to the families of those who died.

Continued page 6



**Transurban has transformed itself to take advantage of new opportunities in North America and Australia.**

Transurban is in exclusive negotiations on a major development of Virginia's I-95/395.



# OVERVIEW

Continued from page 5

Transurban's workforce and contractors responded magnificently to the Burnley Tunnel incident. Many people were involved immediately after the accident and in the days following. Their professionalism and dedication is mirrored across all our businesses and assets. In fact, Transurban's people are our greatest asset. We would like to thank all employees for their efforts in FY07.

## Balance sheet strength

As investors, none of us welcome turbulence in the stock markets. However, the events of recent months have served to underline the strength of Transurban's position. Our balance sheet is robust with low gearing and most of our debt is hedged. Investors should have no concerns about Transurban's ability to service and pay off debt.

We have been very wary of the aggressive lending practices in the infrastructure sector over the past two or three years. These led to the mispricing of risk.

We avoided these practices by staying out of some markets and some projects. Instead we continued to carefully build our portfolio of Australian assets, pursued a cautious entry into the North American market with negotiated transactions, and focussed on active management of our existing businesses.

In short, we have been quietly getting on with the business of long term, consistent value creation for our security holders.

**The Group is financially well positioned, the Australian business is performing well and the North American business is gaining momentum.**

As we look ahead, we can see significant opportunities in Australia with major projects coming on to the market. There is an even bigger pipeline of opportunities in North America.

To take advantage of these opportunities, companies need financial strength, a wide range of skills and the ability to price and manage risk.

We are one of those companies.



**David Ryan AO**  
Chairman



**Kim Edwards**  
Managing Director

## Transitions for Board and management

FY07 saw the retirement of two founding directors of Transurban, Laurie Cox AO and Peter Byers. Both played significant roles in the growth of the Group.

In February, Laurie stood down as Chairman, a position he had held since 1996.

Laurie said his decision was spurred by his desire to set in train generational change to guide the company through future international growth. The Board paid tribute to his leadership over almost 11 years. Laurie led Transurban as it grew to be a multi-billion dollar Group with an international portfolio of assets.

David Ryan, a Transurban director for more than four years, was elected by the Board to succeed Laurie in March 2007.

Peter, who has also left the Board, was a key player on the Due Diligence Committee before the Group floated. He is one of the pioneers of institutional investment in infrastructure in Australia. He was also a director of Hills Motorway Group before Transurban took it over in FY05.

We thank both Laurie and Peter for their outstanding contributions over many years.

In August 2007, Kim Edwards announced that he had informed the Board of his desire to retire as Managing Director. Kim has agreed to remain in the post for 18 months to allow a smooth transition to a new Chief Executive in early 2009. David Ryan described Kim as the driving force behind the success of Transurban.

The Board will consider internal and external applicants as part of a global search. The Board plans no change to the long-term strategy of the Group.



From left: Laurie Cox AO and Peter Byers

## For further information on the key events this year turn to the sections below:

|                       |    |
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| Asset performance     | 10 |
| Sydney portfolio      | 12 |
| North America         | 14 |
| Sustainability        | 16 |
| Directors             | 18 |

# FINANCIAL PERFORMANCE

## Growing free cash flow underpins distributions to investors

Transurban is forecasting total distributions to investors of 57 cents per security for FY08 following a sound financial performance in FY07.

The Group's roads generate strong, inflation protected cash flows. In FY07, toll and fee revenue totalled \$493.1 million, up from \$404.1 million in FY06. Other revenues increased the FY07 total to \$573.2 million. Operating and corporate costs were \$178.6 million, compared with \$173.7 million in FY06.

The combination of higher revenues and lower costs (comparing assets held in both FY06 and FY07) produced a figure for Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$394.6 million, up 38 per cent from \$286.1 million.

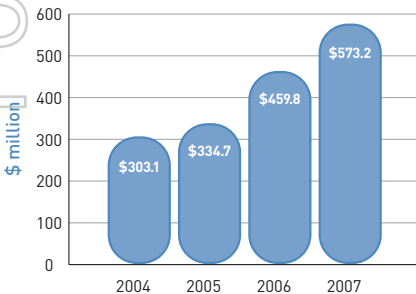
The Group's net loss after tax was \$151.2 million, a big increase on the previous year's figure of \$60.9 million. However, the two figures are not directly comparable, principally because of a one-off taxation benefit in FY06 associated with the introduction of new international accounting standards (AIFRS), Group tax consolidation and the buyout of CityLink Concession notes as a result of the Monash-CityLink-West Gate corridor upgrade.

Transurban will continue to report accounting losses for several years, as we depreciate our assets. However, depreciation is a non-cash item. Depreciation is not relevant as Transurban has fixed concession lengths on all its assets. All maintenance and repair costs for the life of the concessions are factored in to the cash flows of the business. Accounting losses do not affect our ability to pay cash distributions to investors. The important figure for investors is free cash flow. In FY07, this was \$244.2 million, a 9.3 per cent increase on the previous year.

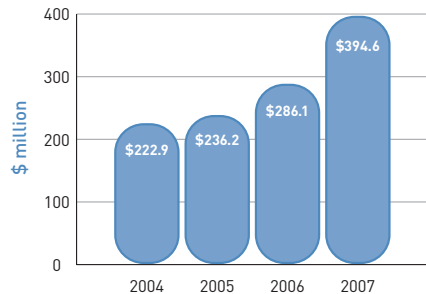
Transurban's distributions are underpinned by the free cash flow and the Group's capital management strategy announced in FY05. As revenues increase, the proportion of distributions funded by borrowings will fall to zero, assuming no changes in the Group's structure and assets.

In FY07, cash as a percentage of the distributions we paid was 48.3 per cent. However, the figure would have been over 60 per cent if it had not been for interest costs on new projects such as the Pocahontas Parkway acquisition and the expiry of Infrastructure Bonds.

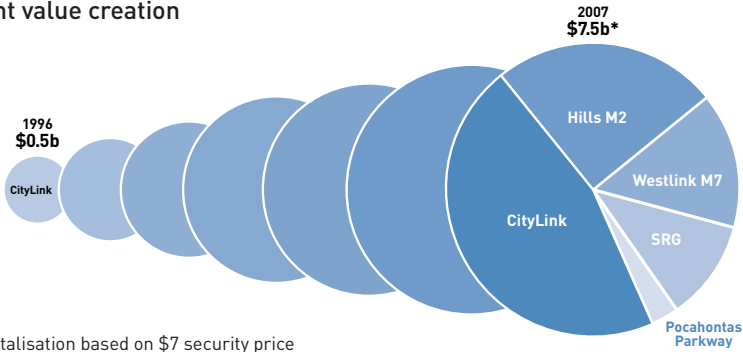
**Total revenue**  
(excluding Infrastructure Bond interest)



**EBITDA**



## Consistent value creation



## Conservative debt management

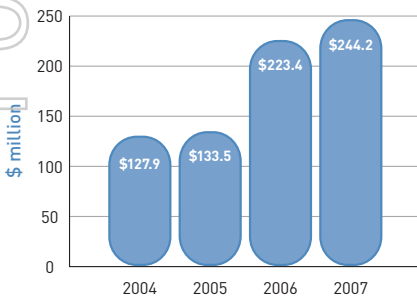
Transurban takes a very conservative approach to management of its debt portfolio. Our gearing is low by comparison with most infrastructure companies. Our gearing ratio, calculated as debt to enterprise value, is 40 per cent. This is also a very conservative way of calculating gearing as it includes all our non recourse debt.

Our Interest Cover Ratio (ICR) is above two. This means the yearly cash flow generated by our roads covers our interest bill twice. This has enabled us to maintain our A- credit rating on senior debt.

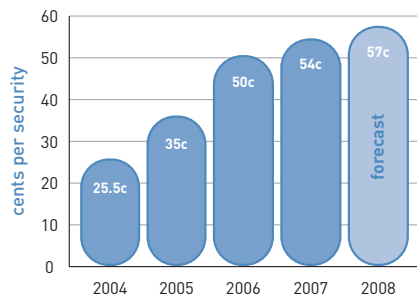
Following the difficulties in the US sub prime market, some companies with lower credit ratings than us have found it difficult to refinance at good rates. We have just successfully refinanced \$600 million worth of debt at rates that were little changed.

Transurban has also locked in much of its debt portfolio at attractive rates. Some 89 per cent of the Group's debt is hedged, if you exclude our working capital facilities, and 76 per cent hedged if you include them. No significant refinancings are due until late 2009.

## Free cash flow



## Distributions



# ASSET PERFORMANCE

## Growth across Transurban's roads

### CityLink (Melbourne, Australia)

 **3.1%**  
Traffic

 **8.8%**  
Revenue

- ▶ CityLink toll and fee revenue for the year was \$331.5 million. Transurban's active management of CityLink delivered revenue growth over and above the traffic growth plus the toll increase.
- ▶ The tragic incident in the Burnley Tunnel in March had an obvious impact on CityLink traffic. Without the accident, it would have been around 3.4 per cent for the year.
- ▶ The Tullamarine and Calder freeway interchange opened in February 2007, and Transurban is on target to achieve its forecast of a 1 per cent lift in total traffic. The interchange, which is just off CityLink, was a major bottleneck and therefore a deterrent to drivers using CityLink at peak periods.
- ▶ Construction of the \$1 billion Monash–CityLink–West Gate upgrade started in September 2007. The project—a partnership between Transurban and the Victorian Government—will significantly relieve congestion at peak times and is forecast to generate a 7 per cent increase in traffic on CityLink.

### Hills M2 (Sydney, Australia)

 **7.5%**  
Traffic

 **16.9%**  
Revenue

- ▶ Hills M2 toll revenue for the year was \$112 million.
- ▶ Traffic growth has been driven by the strong ramp up of Westlink M7, which joins Hills M2.
- ▶ Roam Express, owned by Transurban, is the preferred customer service provider for Lane Cove Tunnel (LCT), which also connects to Hills M2. Since the tunnel opened in March 2007, traffic has increased and is expected to keep growing over the next two years.
- ▶ Transurban has widened the westbound section of Hills M2 between Lane Cove Road and Beecroft Road. This has reduced congestion and enhanced traffic flow from LCT.
- ▶ The Group is negotiating with the New South Wales Government to permanently widen Hills M2 and convert it to full electronic tolling.

### New Sydney assets

#### M1 (Eastern Distributor)

 **2.8%**  
Traffic

 **5.7%**  
Revenue

- ▶ Toll revenue was \$69.9 million for the year.
- ▶ Transurban has a 71.35 per cent stake.

These are full year figures for FY07. Transurban only took control

### Westlink M7 (Sydney, Australia)



- Westlink M7 toll revenue for the year was \$129.5 million.
- Cumulative cashflow generated on Westlink M7 has exceeded Transurban's 2004 predictions due to the benefits of opening the road eight months ahead of schedule and strong ramp up.
- Growth is expected to last longer than originally forecast.
- The road is benefiting from longer average trip lengths than expected—12.7 kilometres versus 9.4 kilometres. However, the number of casual users and short trips is lower than Transurban anticipated, and the Group is working with partners on ways to increase these.
- Industrial development is strong in the corridor. More than 750,000 square metres of industrial and office development is expected to be completed in 2008, according to a leading commercial real estate group.

### Pocahontas Parkway (Virginia, US)



- Pocahontas Parkway toll revenue for the year was US\$12.8 million.
- Pocahontas Parkway is performing well against forecasts. Traffic is growing steadily.
- Transurban has been granted a US\$150 million federal government loan to develop the Richmond Airport Connector, which will join the Parkway. Work is expected to begin in the first half of 2008.
- Significant development is occurring in the Pocahontas corridor, which will influence future traffic growth. The largest of these developments, Wilton Farm, has been delayed by a year. However, other newly announced developments will drive additional traffic on to the road.

### M4 Western Motorway



- Toll revenue was \$85.5 million for the year.
- Transurban has a 50.61 per cent stake.

### M5 South-West Motorway



- Toll revenue was \$148.8 million for the year.
- Transurban has a 50 per cent stake.

of the SRG interests on these roads in June 2007.

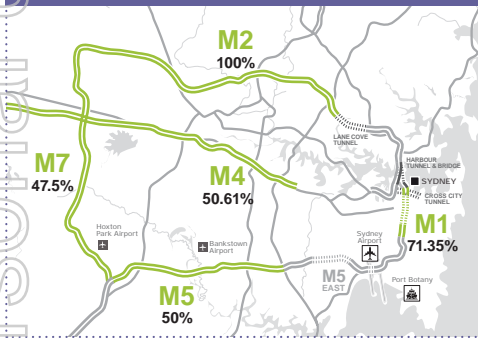
# SYDNEY PORTFOLIO

## Transurban takes a greater stake in the network

In FY07 Transurban significantly increased its Sydney holdings—raising its profile in one of the world's largest toll road markets.

Transurban's acquisition of Sydney Roads Group (SRG) in June means the Group now has a stake in five of Sydney's most important motorways. The NSW Government has strategic plans in place and Transurban can now help deliver network improvements.

### Transurban's stake in Sydney network



### SRG synergies

Transurban originally forecast savings and synergies of \$8 million a year. This now appears to be conservative.

The Group has already achieved \$5.4 million in synergies by eliminating corporate overheads, statutory costs and management support fees, and reducing insurance costs.

On the tolling side, 'revenue leakage' (tolling revenue that is not captured due to enforcement issues) is less than forecast. Further improvements

### Network approach

According to Sydney's Metropolitan Plan, over the next 25 years the city's population will grow by one million. There will be 500,000 new jobs created and 64,000 new residences.

Accommodating this expected growth will require new technological solutions, new links to growing employment and residential areas, and better integration.

Transurban's stake in Sydney's roads—and its expertise in customer and traffic solutions—provides the opportunity to work with the New South Wales Government and other partners on a coordinated approach that will support growth on the 110-kilometre network.

Projects could include:

- Reducing congestion by removing pinch points
- Moving to full electronic tolling
- Improving on road customer communications and incident response, and
- Improving sustainable integration with adjacent communities.

to the enforcement regime on all three of the roads will deliver more benefits.

Transurban expects to achieve a further \$3.7 million in benefits by the end of FY08. That means the Group would exceed its target before the end of the financial year.

But the future is even brighter. By centralising contracts and operating its assets as a network, the Group stands to save even more.

## Enhancing the assets

Since acquiring SRG, Transurban has analysed the network to identify major congestion points and look at enhancements it could undertake with its partners in Sydney.

The Group is working closely with the Government on issues such as the widening of Hills M2 and the M5.

The Government's plans are outlined in the NSW State Infrastructure Strategy.

The Group will also look at how to enhance interoperability across the network.

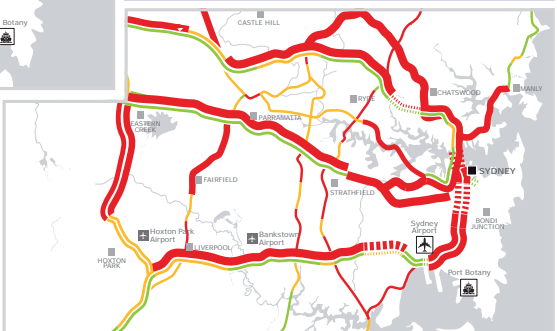
**Transurban's takeover of Sydney Roads Group gives it a stake in five of the city's most important motorways, allowing us to manage our roads as an integrated network.**

2006 Sydney network congestion (AM peak)



- Poor [volume > capacity]
- Fair [volume > 0.7 capacity]
- Good [volume < 0.7 capacity]

As Sydney continues to grow, congestion will get progressively worse without major new road projects. The maps show congestion in 2006—and what it would be like in 2021 if the road system remained unchanged. The thicker the red lines, the worse the congestion. Transurban's stake in five of Sydney's nine motorways positions the Group to support the NSW Government in delivering its response to the city's infrastructure challenge.



2021 Sydney network congestion (AM peak)



## Transurban positions for growth in DRIVE

Transurban has launched DRIVE, its Direct Road Investment Vehicle, in a major step for the Group's business in North America.

Transurban and its co-investors in DRIVE will commit a total of US\$2.86 billion, which will be drawn down over time as DRIVE acquires and develops toll road assets.

DRIVE will allow the Group to bid for new toll road assets in North America while sharing the development costs and funding risk with other investors.

Capital Partners—one of Transurban's major security holders—has set up a pooled fund which will take a 25 per cent stake in DRIVE. Investors in the fund include leading institutions from the US, UK and Europe.

Transurban will initially hold 75 per cent of DRIVE and reserves the right to seek subscriptions from North American and other investors at a later date.

The Group has confirmed its intention to hold a minimum of 30 per cent long term.

The Pocahontas Parkway—Transurban's toll road concession in Virginia—will be transferred into DRIVE at a valuation of US\$236 million. Transurban will continue to operate it.

The Group has exclusive negotiating positions on two other projects in Virginia—the Capital Beltway (I-495) and I-95/395. Both projects will be offered to DRIVE as they reach financial close.

Investors will benefit from DRIVE through:

- ▶ Returns from Transurban's part ownership of assets within the vehicle, and
- ▶ Revenue from fees Transurban will earn as DRIVE's manager and operator of the assets.

### US project update

Transurban's Virginia projects involve the development of High Occupancy Toll (HOT) lanes on congested freeways in the Washington DC area.

HOT lanes are tolled lanes built next to existing freeway lanes to provide drivers with the choice to pay for faster, more reliable travel. Buses and carpools access the lanes for free.

#### Capital Beltway (I-495)

- ▶ Full environmental clearance achieved May 2007
- ▶ Financial close expected by late calendar year 2007
- ▶ Construction expected to start first half of 2008, and
- ▶ HOT lanes scheduled to open 2012.

#### I-95/395

- ▶ Independent environmental approval processes now underway, and
- ▶ Project split into two stages.



**transurban**  
**DRIVE**™

The logo features the word "transurban" in a lowercase, sans-serif font. Below it, the word "DRIVE" is written in a larger, bold, uppercase, sans-serif font. A small green triangle is positioned above the letter "V" in "DRIVE". A trademark symbol (TM) is located to the upper right of the word "DRIVE".

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Traffic is growing steadily on the Pocahontas Parkway in Virginia, US.

# SUSTAINABILITY

## A year of CSR firsts for Transurban

Transurban Group had a milestone year in FY07, earning international recognition for its approach to managing impacts on the environment and communities.

Transurban was included for the first time in the Dow Jones Sustainability Index (DJSI) World list of high performing companies.

DJSI World tracks the performance of the top 250 global sustainability leaders, rating them on economic, environmental and social criteria. Over US\$5 billion is invested in DJSI-based investment vehicles.

In FY07 Transurban also appeared in the Climate Leaders List for Australia and New Zealand in the Carbon Disclosure Project (CDP).

The CDP is run by the Investor Group on Climate Change (IGCC), a global group of 284 institutional investors with combined assets of US\$41 trillion under management.

Every year the IGCC asks the largest companies in the world by market capitalisation to disclose information on their greenhouse gas emissions, reduction targets, climate change preparedness and business innovation in a 'carbon constrained' economy. This was the first year Transurban had participated.

During the year Transurban published its inaugural Sustainability Report, which was independently assured and well received by key stakeholders.

More details on Transurban's environmental and community impacts will be in the FY07 Sustainability Report to be published in November. The report will be available online at [www.transurban.com](http://www.transurban.com). A printed summary can also be obtained by emailing [sustainability@transurban.com](mailto:sustainability@transurban.com) or contacting Transurban's head office on +61 3 9612 6999.

### Milestones in corporate social responsibility

- ▶ Listed for first time in DJSI World list of high performing companies
- ▶ Included in Climate Leaders List (Australia/NZ) in the Carbon Disclosure Project
- ▶ Started staged rollout of a new Environmental Management System to track and record environmental impacts of operations
- ▶ Introduced Greenpath—a carbon offset program that allows Australian motorists to offset their greenhouse gas emissions
- ▶ Reduced greenhouse gas emissions on CityLink operations by more than 10 per cent
- ▶ Met or exceeded all published customer service targets on CityLink and Roam annual scorecards
- ▶ Introduced Financial Hardship Policy allowing Australian customers who have difficulty paying their accounts to negotiate alternative payment solutions

Transurban supports education through its CityLink Schools Support Program in Melbourne and its Roads to Sustainability Program in Sydney.

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# DIRECTORS

## Your Board of directors

**David Ryan AO** BBus, FCPA, FAICD

*Independent chairman—non-executive*



David has a background in the finance industry and in business. He is a non-executive director of Lend Lease Corporation Limited and ABC Learning Centres and Chairman of Tooth & Co Limited. David joined the Board in 2003, and has served as Chairman of the Audit Committee and a member of the Risk Committee. He chairs the Nomination Committee.

**Kimberley Edwards** BE, MAdmin (Bus), FIE (Aust), MAICD

*Managing Director*



Kim has held senior management positions on major commercial and infrastructure projects in Australia, the UK and the Middle East. He joined Transurban to lead the successful bid for the CityLink project in Melbourne, and spearheaded the development of the Group into new toll road opportunities in Australia and the US.

**Geoffrey O Cosgriff** BAppSc, Company Director

Diploma, FIE(Aust), FAICD

*Independent non-executive director*



Geoff held executive management roles with Melbourne and Metropolitan Board of Works and has extensive experience in the information technology industry, including as the founding Managing Director of MITS Limited. He is currently a Director of LogicaCMG Pty Limited and UXC Limited, and a Council Member for Leadership Victoria. Geoff is Chair of the Board's Remuneration Committee.

**Jeremy G A Davis** BEc, MBA, MA, FAICD

*Independent non-executive director*



Jeremy is a Professor Emeritus of the University of NSW after retiring from the Australian Graduate School of Management in January 2006. 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 director of Singapore Power Limited. Jeremy is Chair of the Audit Committee.

**Susan M Oliver** BProp&Cons, FAICD

*Independent non-executive director*



Susan's experience covers private and public sector senior management roles, strategic and technology consulting and business development. She is a former Senior Manager of Andersen Consulting and former Managing Director of the Australian Commission for the Future Limited. Susan is currently a non-executive director and Chair of the Remuneration Committee of MBF Australia Limited, and executive director and owner of wwrite Pty Limited. Susan chairs the Board's Risk Committee.

**Christopher J S Renwick AM** BA, LLB, FAIM, FAIE, FTSE

*Independent non-executive director*



Christopher has over 35 years of experience in mining, operational business management and law. He is the non-executive Chairman of Coal & Allied Industries Limited, and a non-executive director of Downer-EDI Limited and Sims Group Limited. Christopher chairs Transurban's Corporate Social Responsibility Committee.

## North American Advisory Board

Due to its increasing activity in the market, Transurban appointed a high-profile North American Advisory Board in October 2006. The Advisory Board is helping Transurban further develop its understanding of the market and strengthen its relationships with governments, road authorities and other partners.

The Advisory Board brings together four highly qualified professionals from government, the private sector and transport.

### **Alfred Berkley**

Alfred has a background in investment banking. He is a former Vice Chairman and President of the technology stock market NASDAQ.

### **Peter Fitzgerald**

Peter was a Republican Senator for Illinois for six years. In that time, he served on five Senate committees and played a leading role in a number of high profile Senate investigations. He is now a banker in Virginia.

### **Sam Skinner**

Sam is a lawyer who served as a White House Chief of Staff under President George Bush Senior. He is also the retired Chairman, President and Chief Executive Officer of leading transport and logistics company USF Corporation.

### **Rodney Slater**

Rodney was the US Secretary of Transportation in the administration of President Bill Clinton. He is also a former Administrator of the Federal Highway Administration. He is a lawyer and company director.



Pocahontas Parkway, Virginia, US.

## Enquiries and information

### Enquires about your Transurban stapled securities

The Stapled Securities Register is maintained by Computershare Investor Services Pty Limited. If you have a question about your Transurban securities or distributions please contact:

#### Computershare

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Melbourne Victoria 3001  
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www.transurban.com

#### Removal from mailing list

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Financial Statements 2007

**transurban**  


# FINANCIALS

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# CORPORATE GOVERNANCE

David Ryan AO



Chairman

Kimberley Edwards



Managing Director

Geoffrey O Cosgriff



> Transurban's Board of Directors



Jeremy G A Davis



Susan M Oliver



Christopher J S Renwick AM

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## **Transurban Group's corporate governance framework substantially complies with the Principles and Best Practice Recommendations of the Corporate Governance Council of the Australian Stock Exchange. See page 7 for a list of the 10 core principles.**

The framework is updated from time to time to ensure best practice standards are maintained.

This corporate governance statement applies to all entities comprising the Transurban Group as described in the Directors' Report. The term 'Board' refers to the Board of each relevant entity unless otherwise stated.

The relationship between the Board and management is critical to the achievement of the Group's objectives. The directors are responsible to the security holders for the performance of the Group and their key tasks are to enhance the interests of the security holders and other key stakeholders and to ensure the Group is properly managed.

Day-to-day management of the Group's affairs and the implementation of strategic and policy decisions made by the Board have been formally delegated to the Managing Director and senior executives. These delegations are reviewed regularly.

### **Board of Directors**

The Board has adopted a charter which sets the broad principles by which it operates.

#### **Board Responsibilities (Principal 1, Recommendation 1.1)**

The Board has delegated some of its responsibilities to executive management, particularly day-to-day operations of the Group.

The following responsibilities have been retained by the Board:

- reviewing and ratifying the entity's business strategies and monitoring their implementation
- appointment and removal of the Managing Director, the regular evaluation of his/her performance and the determination of his/her remuneration
- appointment and removal of the Company Secretary and the regular evaluation of his/her performance
- ratification of the appointment of executives reporting to the Managing Director, the review of the Managing Director's assessment of the performance of such executives, and the determination of their remuneration based on the Managing Director's recommendations
- developing and approving succession plans for the Managing Director and reviewing and approving succession plans for those executives reporting to him/her
- reviewing the entity's financial reports and certifying that they comply with Australian Accounting Standards and present a true and fair view of the affairs of the entity
- ensuring the financial integrity of the entity through:
  - overseeing the entity's systems of internal control and financial reporting
  - the establishment and review of financial performance objectives, and
  - approval of operating and capital budgets.
- approval of distribution payments

- approval of capital management activities, including the issue and redemption of equity and the increase or reduction of borrowings
- approval of significant changes to the Group's organisational structure
- reviewing and ratifying systems of risk management and legal compliance
- ensuring that the entity complies with all disclosure requirements
- approving changes to the authorities delegated to management
- assessing the performance of each individual director and of the Board collectively
- selection of nominees for election as directors
- provision of strong leadership of the entity on a continuing basis, and
- fostering a culture of compliance with the highest legal, ethical and environmental standards and business practices.

### **Board Composition**

The entity's constitution allows a maximum of 12 directors. Currently, the Board has set a minimum number of three directors and a maximum of eight.

The Board seeks to ensure that its membership provides the mix of qualifications, skills and experience to enable it to effectively fulfill its responsibilities, and that its size facilitates effective discussion and efficient decision making.

### **Board Members**

Board member details—their experience, expertise, qualifications, term of office and independence—are set out in the Directors' Report under the Information on Directors section (see page 16).

#### **Directors' Independence Principal 2, Recommendation 2.1)**

It is the Board's policy that a majority of directors should be independent directors and the Chairman should be an independent director. The Board regularly determines which directors are considered to be independent directors in the light of their interests as disclosed to the Board. In making this determination, the Board considers whether a director's security holding in the entity, his/her relationship with security holders, suppliers and competitors and tenure as a director, would materially affect their ability to exercise unfettered and independent judgement in the interests of the entity's security holders.

In considering potential conflicts of interest, the Board looks at a director's business or other relationships. The Board believes it is inappropriate to decide if a conflict exists solely on the basis of arbitrary dollar, profit or turnover percentage tests. Instead, the Board seeks to determine whether the director is generally free of any interest and any business or other relationship which could materially interfere with the director's ability to act in the best interests of the Group.

The Board considers that all non-executive directors are currently independent directors.

#### **Conflicts of Interest (Principle 2, Recommendation 2.1)**

Entities within the Group follow protocols designed to ensure every director knows of any individual director's conflicts of interest or potential conflicts of interest in a particular matter to be considered by the Board. These protocols are consistent with obligations imposed by the Corporations Act and the Australian Securities Exchange (ASX) listing rules. They require each director to disclose any contracts, offices held, interests in transactions and other directorships held, to signal any potential conflict.

# CORPORATE GOVERNANCE

If any Director considers a potential conflict of interest could exist or may arise involving any member of the Boards of Transurban Group entities, a sub-committee is established to assess the matter.

The sub-committee excludes the potentially conflicted director(s).

It considers the matter and makes a determination on whether or not the director(s) has/have a conflict of interest.

The determination is then conveyed to the affected director(s).

If it decides there is no conflict, the sub-committee is required to report its actions and recommendations to the Board after each sub-committee meeting. If a conflict is deemed to exist the sub-committee will report its actions and recommendations to the Board excluding the conflicted director.

Further information is set out in the Board Charter.

## **Roles of the Chairman and Managing Director (Principle 2, Recommendation 2.2 and 2.3)**

The Chairman is responsible for leading the Board, ensuring all directors are properly briefed in all matters relevant to their role and responsibilities, facilitating effective discussion of matters considered by the Board, and managing the Board's relationship with the entity's executive management.

The Managing Director is the Chief Executive Officer of the entity and is responsible to the Board for implementation of strategies and policies determined by the Board.

The roles of Chairman and Managing Director are undertaken by separate people.

## **Commitment (Principle 2, Recommendation 2.5)**

Board meetings of Transurban Holdings Limited and Transurban Infrastructure Management Limited as Responsible entity of the Transurban Holdings Trust are held concurrently. The Board meetings of Transurban International Limited are held quarterly. The number of meetings held by the Boards of each individual entity and by Board committees is disclosed in the Directors' Report (see page 18).

The number of meetings of the Boards and of Board committees attended by each director is also disclosed in the Directors' Report (see page 19).

The Nomination and Remuneration Committee reviews the commitments of non-executive directors before their appointment to the Board and annually thereafter. The aim is to ensure that non-executive directors are able to meet the Board's expectations concerning time commitment. Directors are required to consult with the Chairman before accepting appointment as a director of any entity outside the Group.

## **Independent External Advice (Principle 2, Recommendation 2.5)**

Independent external professional advice relating to their roles and responsibilities is available to directors at the relevant entity's expense. Before seeking such advice, directors are required to consult with, and obtain the approval of, the Chairman. The director must consult a suitably qualified adviser in the relevant field and inform the Chairman of the fee payable for the advice.

A copy of the advice obtained must be provided to the relevant Board.

## **Performance Assessment (Principle 8, Recommendation 8.1)**

Each year, the following reviews of performance are undertaken:

- a review of the performance of the Board against the requirements of the Board Charter and any other objectives arising from previous reviews of performance
- a review of the performance of each Committee against the requirements of its Charter and of the continuing need for the Committee
- a review by the Chairman with each director of the individual performance of the director, and
- a review of the performance of the Chairman by a non-executive director nominated by the Board.

## **Induction and Training (Principle 1, Recommendation 1.1)**

New directors are provided with an induction program to familiarise them with all aspects of the business and each Group entity's operations. They are kept informed of other programs available to them. The Board has given the Nomination and Remuneration Committee responsibility for recommending training and further education it considers necessary to enable the Board to meet its responsibilities.

## **Certification of Financial Reports and Risk Management Systems (Principle 4, Recommendation 4.1) (Principle 7, Recommendation 7.2)**

The Managing Director and the Chief Finance Officer have provided certifications to the Board in connection with the financial statements for the Group and the individual entities comprising the Group for the year ended 30 June 2007. A summary of the certifications follows:

- the financial statements present a true and fair view, in all material respects, of the financial position and operating results of the entities and the Group and are in accordance with relevant accounting standards and the Corporations Act 2001
- the above statement is founded on sound systems of risk management and internal compliance and control which implement the policies of the Board, and
- the systems of risk management and internal compliance and control are operating efficiently and effectively in all material respects.

## **Board Committees (Principle 4, Recommendation 4.4)**

The Board has established the following committees of directors to assist it in carrying out its responsibilities and to allow detailed consideration of complex issues:

- Audit Committee
- Risk Committee
- Corporate Social Responsibility (CSR) Committee, and
- Nomination and Remuneration Committee.

Each of these committees has a charter which can be accessed under the Corporate Governance section of the Group's website.

Special purpose committees are established where deemed necessary to deal with specific projects or potential conflicts of interest.

Each Committee operates under a Committee 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.

At least once each year the Board reviews the appropriateness of the existing committee structure. If necessary, it also reviews the membership and the charter of individual committees.

Minutes of committee meetings are recorded by the Company Secretary and circulated with the papers for the next Board meeting. At the Board meeting, the Chairman of the committee highlights key issues under consideration by the committee.

#### **Audit Committee (Principle 4, Recommendation 4.2, 4.3 and 4.5)**

The Audit Committee consisted of the following non-executive directors for the year ended 30 June 2007:

- David J Ryan (Chairman)
- Peter C Byers (resigned 23 October 2006)
- Laurence G Cox (resigned 28 February 2007), and
- Jeremy G A Davis.

The qualifications of these directors and their attendance records at meetings of the Committee are set out in the Directors' Report (see page 19).

All members of the Audit Committee have appropriate financial expertise and an appropriate understanding of the industry in which the Group operates.

The Managing Director, Chairman of the Risk Committee, other members of the management team and representatives of the external and internal auditor attend meetings of the Committee by invitation. The external auditor meets with the Committee without management present on a regular basis.

The duties and responsibilities of the Audit Committee are set out in its Charter. The committee's primary responsibility is to oversee the entity's financial reporting process on behalf of the Board, and to recommend to the Board appropriate actions to ensure high quality financial reporting, sound practices to control risks and ethical behaviour.

In discharging this responsibility, the committee:

- assesses the accounting, financial and internal control systems used by the entity and if necessary recommends changes to them
- reviews the statutory financial reports of the entity and management's representations in relation to them and advises the Board whether to adopt the reports
- makes recommendations to the Board for the appointment, remuneration and removal of the external auditor and agrees the terms of the auditor's engagement
- pre-approves all non-audit services provided by the external auditor
- reviews the objectives, competence and resourcing of the internal audit function, including determining whether the internal audit function should be an internal or external function, and
- reviews the internal audit program conducted each financial year.

#### **Risk Committee**

The Risk Committee consisted of the following directors for the year ended 30 June 2007:

- Susan M Oliver (Chairman)
- Geoff O Cosgriff
- Christopher J S Renwick, and
- David J Ryan.

The qualifications of these directors and their attendance records at meetings of the Committee are set out in the Directors' Report (see page 19). The primary responsibility of the Committee is to assist the Board in assuring the Group manages risk in accordance with its Risk Management Policy and Standards, by providing:

- governance
- oversight, and
- strategic direction.

After notifying the Board or the Chairman of the Board and the Managing Director, the committee can:

- direct any special investigations
- seek advice from the entity's auditors and solicitors
- engage and consult independent experts where necessary to carry out its duties, and
- consult external reports and other documents.

#### **CSR Committee**

The CSR Committee consisted of the following directors for the year ended 30 June 2007:

- Susan M Oliver (Chairman), and
- Christopher J S Renwick.

The qualifications of these directors and their attendance records at meetings of the CSR Committee are set out in the Directors' Report (see page 19).

Independent stakeholder members are appointed to the Committee to provide specialist external advice and input into the Group's CSR program.

Senior employees in roles of responsibility in relation to the Group's CSR program have also been appointed to the Committee.

The CSR Committee's responsibility is to assist the Board to develop initiatives and a forward program for continuous improvement in the Group's CSR commitments.

#### **Nomination and Remuneration Committee**

##### **(Principle 2, Recommendation 2.4) (Principle 9, Recommendation 9.1, 9.2, 9.3, 9.4 and 9.5)**

The Nomination and Remuneration Committee consisted of the following non-executive directors for the year ended 30 June 2007:

- Laurence G Cox (Chairman until resignation on 28 February 2007)
- Geoff O Cosgriff (Chairman from 28 February 2007), and
- Jeremy G A Davis.

The qualifications of these directors and their attendance records at meetings of the Committee are set out in the Directors' Report (see page 19). The primary responsibilities of the Committee are to provide advice to the Board on the appointment of new directors, the measurement of Board performance and the remuneration of directors and senior executives.



# CORPORATE GOVERNANCE

In discharging this responsibility, the Committee:

- makes recommendations on the size and composition of the Board and on procedures for identifying and screening candidates for appointment to the Board
- implements these identification and screening procedures when required
- reviews at least annually the time commitments of non-executive directors to provide a basis for assessing whether candidates for appointment as directors can meet them, having regard to their other commitments
- develops and oversees an orientation and education program for new directors
- makes recommendations regarding succession plans for the Board,
- recommends processes for the review of the performance of individual directors and the Board as a whole, and
- makes recommendations in relation to the Group's remuneration policies and practices for directors and employees. To assist in making these recommendations, the Committee consults external remuneration consultants as necessary.

The remuneration of non-executive directors consists entirely of directors' fees and committee fees. A summary of the Group's remuneration policy is available on the Group's website. Further information on directors' and executives' remuneration is provided in the Remuneration Report, part of the Directors' Report (see page 20).

## **External Auditors (Principle 4, Recommendation 4.5)**

The policy of the Group is to appoint external auditors who are suitably qualified and whose independence is unequivocal.

The performance of the external auditors is reviewed annually by the Audit Committee. It is responsible for making recommendations to the Board in relation to the appointment, remuneration and removal of the external auditors.

PricewaterhouseCoopers was initially appointed as the Group's external auditor in 1996 and subsequently re-appointed in December 2001. The appointment of the external auditors has been approved by security holders as required by the Corporations Act. PricewaterhouseCoopers is required to rotate audit engagement partners on listed entities at least every five years. A new audit engagement partner was introduced for the financial year beginning 1 July 2007.

Details of the fees paid to the external auditors, including a breakdown of fees paid for non-audit services, are set out in the Directors' Report (see pages 31-32).

All non-audit services provided by the external auditors are reported to the Audit Committee. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The Board has considered the non-audit services provided by the external auditors and is satisfied they are compatible with the general standard of independence of auditors.

The external auditors attend the Annual General Meeting (AGM) and are available to answer questions raised by security holders in relation to the conduct of the audit and the preparation and content of the audit report.

## **Risk Assessment and Management (Principle 7, Recommendation 7.1 and 7.3)**

The Board, assisted by the Risk Committee, is responsible for assuring the Group has an effective risk management framework in accordance with the Risk Management policy.

A copy of the Risk Management Policy is available on the Group's website.

The Risk Committee is supported by the Risk Management Group, which consists of senior executives and is chaired by the Group General Manager Risk Management. Key responsibilities of the Risk Management Group are:

- ensuring a consistent and robust approach to risk management activities
- providing support to, and implementing directions of, the Risk Committee
- promoting a culture of risk awareness across the Group, and
- seeking confirmation, where necessary from risk owners that they have a current plan to manage their identified risks.

All major proposals submitted to the Board for decision include a comprehensive risk assessment and a description of the strategies proposed to be implemented to mitigate the identified risks.

Information on the Group's compliance with the environmental regulation to which it is subject is set out in the Directors' Report (see page 15).

## **Code of Conduct (Principle 3, Recommendation 3.1, 3.2 and 3.3) (Principle 10, Recommendation 10.1)**

The purpose of the Code is to nurture the values underpinning the Group's corporate culture. This has played an important role in Transurban's success to date, and in the establishment of its reputation.

The Code is discussed with each new employee as part of his/her induction training. Each new employee receives a copy of the code with his/her contract of employment.

In summary, the Code requires that all employees act with integrity, fairness and respect for others and in compliance with the letter and spirit of all relevant laws and Group policies. The Code is available on the Group's website.

The Code specifies the procedures for dealing by directors and employees in securities issued by the Group, and securities of entities with whom the Group has an existing or potential business relationship. Dealing in Transurban stapled securities is only permitted during the 20 business day periods following the release of the annual and half year results to the ASX and following the AGM.

Employees and directors are required to notify the Company Secretary in advance of any proposed transactions in Transurban stapled securities and in the securities of other entities specified from time to time under the policy. A summary of the Dealing in Securities Policy is available on the Group's website.

The Code encourages employees who become aware of unethical behaviour or breaches of the securities trading policy to report these to senior management.

The directors are satisfied that during the year ended 30 June 2007 the Group has complied with the requirements of the Code, including the securities dealing policy.

## Continuous Disclosure and Shareholder Communication

(Principle 5, Recommendation 5.1 and 5.2)

(Principle 6, Recommendation 6.1)

The Board's policy on information disclosure covers:

- continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of Transurban stapled securities or CARS, and
- arrangements to promote communication with security holders.

The Continuous Disclosure Policy and Security Holder Communication Strategy are available on the Group's website.

The Company Secretary is the person with primary responsibility for operation of the Continuous Disclosure Policy and for all communication with the ASX related to the continuous disclosure obligations of Group entities.

The Group publishes information on its website as soon as it is disclosed to the ASX. All material used in briefing analysts on the Group's operations is released to the ASX and placed on the Group's website.

The Group strives to keep its security holders and other stakeholders informed of important news and events. It uses a wide range of communication tools, including the website, meetings, briefings and written materials. The Group's notices of security holder meetings provide all relevant information consistent with best practice. Security holders are encouraged to participate at these meetings.

## Australian equivalents to International Financial Reporting Standards

The financial statements for the year ended 30 June 2007 have been prepared in accordance with AIFRS and other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

## ASX Corporate Governance Council Principles of Good Corporate Governance

### Principle 1

Lay solid foundations for management and oversight

### Principle 2

Structure the board to add value

### Principle 3

Promote ethical and responsible decision making

### Principle 4

Safeguard integrity in financial reporting

### Principle 5

Make timely and balanced disclosure

### Principle 6

Respect the rights of shareholders

### Principle 7

Recognise and manage risk

### Principle 8

Encourage enhanced performance

### Principle 9

Remunerate fairly and responsibly

### Principle 10

Recognise the legitimate interests of stakeholders

## More information

More information can be found in the Corporate Governance section of the Group's website ([www.transurban.com](http://www.transurban.com)). The following material is available:

- Board Charter
- Nomination and Remuneration Committee Charter
- Audit Committee Charter
- Remuneration Policy
- Code of Conduct
- Dealing in Securities Policy
- Continuous Disclosure Policy
- Security Holder Communication Strategy
- Risk Management Policy
- Risk Committee Charter, and
- Corporate Social Responsibility (CSR) Committee Charter.

# FINANCIALS

Transurban Group

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## Directors' report

### Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Transurban Holdings Limited and its subsidiaries as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. You can access both the full financial report and the concise report under the Investors Section of the Transurban website ([www.transurban.com](http://www.transurban.com)). Alternatively you can call 1300 360 146 (free call) and a copy will be forwarded to you.

### 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 2007.

### Group accounts

These group accounts 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 ('the combined entity' or 'Group'), notwithstanding that none of the entities control any of the others.

The financial statements have been aggregated in recognition of the fact that the securities issued by THL, THT and TIL are stapled into parcels ('Stapled Securities'), comprising one share in THL, one share in TIL and one unit in THT. None of the components of the stapled security can be traded separately.

Prior to 3 January 2007, stapled securities comprised one share in THL, one unit in THT and one share in Transurban Limited (TL). On 3 January 2007 the composition of the stapled security was restructured, as approved by security holders at the Group's Annual General Meeting (AGM) on 23 October 2006. The restructure involved the removal of shares in TL from the triple stapled security, and such shares being replaced by shares in TIL. As such, comparative information for the 2006 financial year relates to the aggregation of THL, THT and TL.

### Directors

With the exception of the changes noted below, the following persons were directors of THL and Transurban Infrastructure Management Limited (TIML) during the whole of the financial year and up to the date of this report. In addition, with the exception of the changes noted below, the following persons were directors of TIL from 18 September 2006 and up to the date of this report. Further, with the exception of the changes noted below, the following persons were directors of Transurban Limited from 1 July 2006 until Transurban Limited ceased to be part of the triple stapled security on 3 January 2007.

|                                  | Transurban Holdings Limited | Transurban Infrastructure Management Limited | Transurban International Limited | Transurban Limited |
|----------------------------------|-----------------------------|--|----------------------------------|--------------------|
| <b>Non-executive directors</b>   |                             |  |                                  |                    |
| David J Ryan AO <sup>(1)</sup>   | ✓                           | ✓  | ✓                                | ✓                  |
| Laurence G Cox AO <sup>(2)</sup> | ✓                           | ✓  | ✓                                | ✓                  |
| Peter C Byers <sup>(3)</sup>     | ✓                           | ✓  |                                  | ✓                  |
| Geoffrey O Cosgriff              | ✓                           | ✓  |                                  | ✓                  |
| Jeremy G A Davis                 | ✓                           | ✓  |                                  | ✓                  |
| Susan M Oliver                   | ✓                           | ✓  |                                  | ✓                  |
| Christopher J S Renwick AM       | ✓                           | ✓  |                                  | ✓                  |
| James Keyes <sup>(4)</sup>       |                             |  | ✓                                |                    |
| Jennifer Eve <sup>(4)</sup>      |                             |  | ✓                                |                    |
| <b>Executive directors</b>       |                             |  |                                  |                    |
| Kimberley Edwards                | ✓                           | ✓  | ✓                                | ✓                  |

(1) David J Ryan was appointed as a non-executive director of TIL on 28 February 2007, and elected as Chairman of THL, TIL and TIML on 28 February 2007 following Mr Cox's resignation as Chairman.

(2) Laurence G Cox was Chairman and a non-executive director of THL and TIML from the beginning of the financial period until his resignation on 28 February 2007, and Chairman and non-executive director of TL from the beginning of the period until 3 January 2007. Mr Cox was also Chairman and a non-executive director of TIL from 18 September 2006 until his resignation on 28 February 2007.

(3) Peter C Byers was a non-executive director of THL, TIML and TL from the beginning of the financial period until his retirement on 23 October 2006.

(4) James Keyes and Jennifer Eve were appointed non-executive directors on 18 September 2006 and continue in office at the date of this report.

## Principal activities

During the year the principal continuing activities of the Group consisted of:

- Operation of CityLink, Hills M2 and the Pocahontas Parkway
- (a) Provision of the tolling and customer management system for Westlink M7
- (b) Tendering for participation in and/or acquisition of other toll roads
- (c) Development of electronic tolling and other intelligent transport systems for implementation in both domestic and international markets, and
- (d) Identification and development of infrastructure projects in accordance with the investment strategies of Transurban Group entities.

The following significant changes in the nature of the activities of the Group occurred during the year:

- (a) New activity resulting from the acquisition of Sydney Roads Group.

## Results

The result of operations for the financial year ended 30 June 2007 was an operating loss of \$152.2 million (2006: \$60.9 million).

## Distributions

Distributions paid to members during the financial year are outlined in the table below:

## Review of operations

### (a) CityLink (Melbourne)

Traffic volume for the year ended 30 June 2007 exceeded 241.0 million transactions, representing a 3.1 per cent increase on the prior corresponding period. The growth in transaction volume combined with the toll escalation as provided for in the Concession Deed, resulted in toll and fee revenue of (net of GST) \$331.5 million, an increase of 8.8 per cent over the prior year.

Key outcomes for the year ended 30 June 2007 include:

- A new daily record of 843,067 transactions was achieved on 8 December 2006.
- Increased traffic volumes on Western Link associated with the opening of the inbound and outbound section of the Tullamarine/Calder Freeway Interchange upgrade project. The inbound section was opened on 8 October 2006 with the outbound section subsequently opening on 25 February 2007.
- An increase in toll prices for taxi travel on 1 January 2007. This is the first stage of agreed pricing for calendar years 2007 and 2008.
- Customer account numbers continue to grow. As at 30 June 2007 there were 808,000 accounts (including 98,000 Access accounts) an increase of 5.8 per cent over the previous year. There are 1,097,000 e-TAGs linked to e-TAG accounts.
- CityLink achieved all of its customer service performance requirements with respect to the CityLink Customer Charter.
- A multi-vehicle crash and consequent fire in the Burnley Tunnel on 23 March 2007 forced the closure of both the Burnley and Domain tunnels to allow for the safe evacuation of more than 400 people. The Domain Tunnel reopened later that day and after four days of repairs and testing the Burnley Tunnel was reopened. A coronial investigation has begun and the State Government has foreshadowed a road rule change banning lane changing in any Victorian tunnels.

### Distributions proposed

Final distribution payable and recognised as a liability:

27.5 cents (2006: 25.5 cents) per fully paid stapled security payable 27 August 2007

| 2007   | 2006   |
|--------|--------|
| \$'000 | \$'000 |

|         |         |
|---------|---------|
| 294,744 | 207,422 |
|---------|---------|

### Distributions paid during the year

Final distribution for 2006 financial year of 25.5 cents

(2005: 18.0 cents) per fully paid stapled security paid 25 August 2006

|         |         |
|---------|---------|
| 207,422 | 142,443 |
|---------|---------|

Interim distribution for 2007 financial year of 26.5 cents

(2006: 24.5 cents) per fully paid stapled security paid 28 February 2007

|         |         |
|---------|---------|
| 220,989 | 194,188 |
|---------|---------|

### Total distributions paid

|         |         |
|---------|---------|
| 428,411 | 336,631 |
|---------|---------|

Distributions paid in cash or satisfied by the issue of stapled securities under the distribution reinvestment plan during the years ended 30 June 2007 and 30 June 2006

|  |                |                |
|--|----------------|----------------|
| Paid in cash   | 197,408        | 243,240        |
| Executive loans - repayments                               | 1,230          | 352            |
| Satisfied by issue of stapled securities                   | 229,756        | 93,007         |
| Funds available for future distribution reinvestment plans | 17             | 32             |
| <b>Total distributions paid</b>                            | <b>428,411</b> | <b>336,631</b> |

# FINANCIALS

## (b) Hills M2 (Sydney)

During the year, the Hills M2 celebrated its tenth anniversary after opening to traffic in May 1997.

Traffic volume for the year ended 30 June 2007 was 32.2 million transactions representing a growth of 7.5 per cent over the prior year. A new daily record of 114,880 trips occurred on 5 April 2007 with annual average daily traffic (AADT) for the year ended 30 June 2007 increasing to 88,389 vehicles from 82,186 in the previous year.

The introduction of Electronic Toll Collection (ETC) express lanes in February 2006 and the opening of the Lane Cove Tunnel (LCT) in March 2007 have contributed to an increase in electronic tolling transactions from 80.0 per cent in 2006 to 89.0 per cent for the current period.

Toll revenue for the year was \$112.0 million, an increase of 16.9 per cent over the previous year. Toll revenue was assisted by:

- An increase in toll price for heavy vehicles at North Ryde toll point on 1 July 2006, the first price increase since April 2005
- An increase in toll price for cars at North Ryde toll point on 1 October 2006, the first price increase since July 2003
- An increase in toll price for heavy vehicles at the Pennant Hills toll point on 1 January 2007, the first price increase since July 2004
- Increased traffic due to continued growth on Westlink M7 toll road, and
- Opening of the Lane Cove Tunnel on 25 March 2007.

During the year Transurban alleviated a key congestion point on the Hills M2 when the New South Wales Roads and Traffic Authority (RTA) approved the opening of an interim third lane. The third lane, which is located on the westbound carriageway between Lane Cove Road and Beecroft Road has reduced the congestion during the afternoon peak period and improved traffic flow from the LCT. Construction was completed in late March 2007.

## (c) Westlink M7 (Sydney)

Westlink M7 has continued to steadily build patronage throughout the year following its opening in December 2005. The average daily trips for the quarter ended 30 June 2007 increased by 16.8 per cent over the corresponding period last year. Revenue on Westlink M7 was \$146.5 million (including GST) for the year ended 30 June 2007.

Transurban increased its equity interest from 45.0 per cent to 47.5 per cent in Westlink M7 during the period by exercising a portion of its share in pre-emptive rights over Abigroup Limited's 5.0 per cent holding in the motorway. Transurban and Macquarie Infrastructure Group have equal pre-emptive rights over the remaining 5.0 per cent held by Leighton Holdings Limited.

## (d) Roam Tolling Pty Ltd

This financial year was the first full year of operations for Roam Tolling which operates the Roam brand and is responsible for the provision of tolling and customer service responsibilities for Westlink M7.

Customer account numbers have continued to grow. At 30 June 2007 there are 146,000 e-TAG accounts and 34,000 e-PASS accounts, representing annual increases of 38.0 per cent and 77.0 per cent, respectively. Nearly 52,000 e-TAGs were issued to customers during the year and the number of vehicles registered with Roam has increased by 46.0 per cent to 303,000. In the last 12 months there have been 305,000 visitors' e-PASS accounts opened for temporary use of the motorway.

Roam achieved all of its customer service performance requirements with respect to the Roam Customer Charter.

## (e) Tollaust Pty Ltd

Tollaust is the operator of Hills M2 and performs operations and maintenance activities. In addition Tollaust operates the Roam Express tolling brand. Its customer base has continued to grow with 63,000 accounts and 99,000 Roam Express tags in circulation at 30 June 2007.

Roam Express tag transaction volume for the year ended 30 June 2007 exceeded 16.5 million, representing a 24.0 per cent increase on the previous year.

In conjunction with the March opening of Lane Cove Tunnel, Roam Express successfully launched their visitor e-PASS product for motorists without an e-TAG and established themselves as the preferred tag supplier for the tunnel. The visitor e-Pass is also operating on Hills M2 with other Sydney roads due to follow shortly.

## (f) Pocahontas Parkway (Virginia US)

The Pocahontas Parkway celebrated its first anniversary of operations as a Transurban Group asset on 29 June 2007.

Traffic increased during the year by 3.1 per cent to 6.0 million transactions. Toll revenue increased by 8.7 per cent to USD\$12.8 million and a new daily record of 22,192 transactions was achieved on 6 June 2007.

Despite lower than expected traffic performance during the first half of the year due primarily to record high fuel prices in the US, traffic has steadily grown throughout the year. Recent performance has been strong with the June 2007 quarter recording year on year traffic growth of 7.1 per cent.

## (g) Sydney Roads Group (SRG)

Transurban achieved effective control of the SRG on 11 April 2007. As a result of the acquisition Transurban holds investments in the Airport Motorway Limited (M1), Interlink Roads Limited (M5) and Statewide Roads Limited (M4 Motorway) in Sydney.

## (i) M1 (Eastern Distributor) – Airport Motorway Limited

The Eastern Distributor (ED) is a 6-kilometre motorway linking the Sydney Central Business District with the Airport and connects directly with the Cross City Tunnel, Sydney Harbour Tunnel and the Sydney Harbour Bridge. It features a 1.7 kilometre tunnel running from Woolloomooloo to Surrey Hills. The ED tolls all northbound traffic, with toll plazas at Woolloomooloo and the William Street exit.

Transaction volume for the year ended 30 June 2007 was 16.6 million, representing a 2.8 per cent increase on the prior year. AADT for the quarter ended 30 June 2007 was 46,076 transactions (51,824 for weekdays).

Toll revenue (net of GST) for the year ended 30 June 2007 was \$69.9 million, a 5.7 per cent increase over the previous year.

## (ii) M4 – Statewide Roads Limited

The M4 is a 50 kilometre motorway which extends from Concord/North Strathfield to Lapstone in the west of Sydney. Statewide Roads Ltd (SWR) operates and maintains two sections of the motorway being a 2.5 kilometre section between Silverwater Road and James Ruse Drive at Auburn, and a 10 kilometre section between May's Hill and Prospect. SWR operates and maintains these sections in accordance with a concession arrangement with the NSW Roads and Traffic Authority (RTA) which expires in February 2010. The remainder of the M4 is operated by the RTA.

SWR also has a separate concession for a service centre which is located between the Westlink M7/M4 Light Horse interchange and Reservoir Road. This concession is in place until 2017.

Transaction volume for the year ended 30 June 2007 was 39.1 million, representing a 2.3 per cent increase on the prior year. AAD for the quarter ended 30 June 2007 was 106,938 (117,925 for weekdays).

Toll revenue (net of GST) for the year ended 30 June 2007 was \$85.5 million, an increase of 2.3 per cent over the previous year.

#### (iii) M5 – Interlink Roads Limited

The M5 is a transit corridor spanning 22 kilometres of Sydney's south west from Casula to Beverly Hills near King Georges Road. The M5 links the M5 East Motorway which is owned and managed by the RTA from King Georges Road to Sydney Airport.

Transaction volume for the year ended 30 June 2007 was 41.0 million, representing a 2.7 per cent increase over the prior year with transactions associated with trucks increasing by 14.0 per cent. AADT for the quarter ended 30 June 2007 was 111,684 (121,359 for weekdays).

Toll revenue (net of GST) for the year ended 30 June 2007 was \$148.8 million, an increase of 15.0 per cent over the previous year.

#### E-way

E-way is Interlink's customer management business that issues tags for M5, M1 and M4.

E-way continues to grow strongly with approximately 4,000 new tags issued and 1,500 new accounts opened per month during 2007. It now has more than 441,000 tags associated with 267,000 accounts.

#### (h) Business development

During the period the Transurban Group continued to pursue new business development opportunities in both the Australian and International markets. Achievements and developments during the year include:

##### i) I-495/Capital Beltway Project (Virginia, US)

Transurban is partnering with Fluor Corporation to investigate the feasibility of developing High Occupancy Toll (HOT) lanes along a 22.4 kilometre segment of the Capital Beltway (I-495) in Northern Virginia, US.

The Transurban-Fluor team signed a development agreement with the Virginia Department of Transportation (VDOT) in 2005. The project has achieved environmental approvals and is currently in the process of negotiating a concession agreement. In the event that financial close is achieved, Transurban will act as both an investor and tolling operator of the HOT lanes.

Once operational, Transurban will be responsible for managing the tolling, and long-term operations and maintenance.

##### ii) I-95/395 Virginia Project (Virginia, US)

In October 2006, the Transurban-Fluor Enterprises consortium signed a development agreement with VDOT to progress with the development of the 94 kilometre HOV/Bus/HOT lane project in Northern Virginia. The development includes preliminary engineering work and detailed design and feasibility studies. A final agreement will be signed with VDOT once federal environmental approvals have been obtained and financial feasibility has been established.

Once operational, Transurban will be responsible for managing the tolling, and long-term operations and maintenance.

##### iii) Richmond Airport Connector (Virginia, US)

The Richmond Airport Connector Road (RAC) is 2.5 kilometres in length, connecting the Pocahontas Parkway (Route 895) to Charles City Road and Airport Drive at the Richmond International Airport in Virginia. The RAC will provide a more direct route to the airport for residents and business to the east and south-east of Richmond.

Transurban agreed to undertake the construction of the ACR, as part of the Amended and Restated Comprehensive Agreement (ARCA) with VDOT, subject to successfully gaining Federal Transportation Infrastructure Finance Innovation Act funding which was approved on 12 June 2007. Transurban's financial commitment to construct the ACR is capped at US\$45.2 million. Costs in excess of the cap are the responsibility of VDOT.

The ACR will be operated as a toll road and upon completion Transurban will be the sole Manager/Operator of the road. Construction is expected to commence in early 2008 with completion scheduled for early 2010.

#### iv) Highway 1 and Port Mann Bridge – Vancouver, Canada

Transurban is partnering with Bilfinger Berger BOT Inc. to prepare a bid for the Port Mann/Highway 1 Project in Vancouver, Canada. The Port Mann/Highway 1 Project will be a fully electronic toll road that comprises the replacement of the Port Mann Bridge, the widening of Highway 1 from two to four lanes over 37 kilometres and the upgrading of major interchanges. It will be undertaken as a public-private partnership by the British Columbia Ministry of Transportation with assistance from Partnerships British Columbia.

Transurban was advised in August 2007 that it has been short-listed with other two parties. In the event that Transurban is successful in securing the project, Transurban will act as both an investor and operator of the project.

#### v) Monash-CityLink-West Gate improvement project

Transurban reached agreement with the State of Victoria ("the State") and VicRoads to jointly fund upgrades and improvements to 75 kilometres of the Monash-CityLink-West Gate Freeway corridor. The CityLink component of the upgrade, estimated to cost \$166.0 million over a three year construction period, will be funded by Transurban with the State funding the non-CityLink works.

The agreement includes the assignment of all remaining and future concession note liabilities incurred under the provisions of the CityLink Concession Deed to Transurban from the State for a deferred consideration of \$614.0 million. Revenue associated with the development will be shared between Transurban and the State once Transurban has fully recovered its capital cost and any lost revenue from the construction phase of the CityLink upgrades.

Transurban has entered into an Alliance contract with Abigroup Contractors and Maunsell Australia to design and construct the upgrade of the CityLink Southern Link section. Detailed investigation and design has been undertaken to enable construction to commence in September 2007 with completion expected in mid 2009.

The State has entered into Alliance contracts for the West Gate and Monash Freeway upgrades and is currently undertaking design to enable the commencement of construction in September 2007.

Transurban and the State are working together to coordinate the works across the project in an attempt to manage the time and cost of construction whilst minimising traffic disruption and the impact on stakeholders.

#### vi) Additional Investment in Westlink M7

On 29 September 2006, Transurban completed its acquisition of an additional 2.5 per cent equity interest in Westlink M7. The acquisition involved Transurban exercising its pre-emptive rights following Abigroup Limited's decision to sell its interest.

Transurban now has a 47.5 per cent interest in Westlink M7 with itself and Macquarie Infrastructure Group having equal pre-emptive rights over the remaining 5.0 per cent held by Leighton Holdings Limited.



## viii) Sydney Roads Group Merger

Transurban achieved effective control of the Sydney Roads Group ("SRG") on 11 April 2007. As a result of the acquisition Transurban holds investments in the Eastern Distributor (M1), Interlink Roads Limited (M5) and Statewide Roads Limited (M4 Motorway) in New South Wales.

The net contribution of SRG to the Transurban result was a loss of \$18.9 million. The result represents SRG operational contribution from the date of control 11 April 2007 to 30 June 2007. Included in this result is additional depreciation of \$18.1 million on the increase of the fair value of assets and liabilities acquired. Excluding the effect of the additional depreciation, the SRG contribution for the period was a loss of \$0.8 million.

## Significant changes in the state of affairs

### (a) Additional Investment in Westlink M7

Refer to item (h) (vi) of Review of Operations

### (b) Sydney Roads Group Merger

Refer to item (h) (vii) of Review of Operations

### (c) Income tax

On 20 July 2006, the High Court of Australia ruled in favour of Transurban in relation to the tax deductibility of the concession fees Transurban pays to the State of Victoria under the Melbourne CityLink Concession Deed. The case was heard by the High Court of Australia after the Australian Taxation Office appealed the unanimous judgement of the Full Court of the Federal Court in October 2004.

The High Court awarded the costs of the legal action to Transurban.

### (d) Transurban Group restructure

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

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

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

### (e) Refinancing

During the year Transurban refinanced short term debt facilities through the following debt issues:

- A US private placement of US\$350.0 million on 14 November 2006. Proceeds of the placement have been applied to the USD Bridge Facility and Working Capital Facilities. The placement consisted of four tranches with tenures of 10, 12, 15 and 20 years respectively and is capital accretive for 5 years.
- A \$300 million non-credit wrapped bond issue in September 2006 to refinance existing Working Capital Facilities. The issue consisted of two tranches of fixed and floating rate bonds with terms of 5 years.

### (f) Maturity of infrastructure loan and note facilities

In April 2007, Infrastructure Loan and Note Facilities totalling \$1.2 billion were repaid using the cash collateral amounts held on deposit with Macquarie Bank.

These facilities were drawn during the construction of CityLink and were certified by the Development Allowance Authority to qualify for concessional tax treatment under Division 16L of the Income Tax Legislation. The maturity of these facilities and the loss of the cash collateral have resulted in a loss of future interest revenue (2007: \$110.8 million) and a saving in interest expense (2007: \$77.5 million).

### (g) Conversion of Convertible Adjusting Rate Securities

Under the terms of the CARS prospectus, unit holders were eligible to convert their CARS units into Transurban triple stapled securities ("Transurban securities") at any time after the second anniversary of the issue date (14 April 2005). Transurban was also entitled to exchange up to 50 per cent of each Holder's CARS units for Transurban securities at any time on or after the third anniversary of the issue date (14 April 2006). Transurban could also demand Holders to exchange their CARS for Transurban securities on a Reset Date, the first of which was 14 April 2007.

During the year, in accordance with the rights of both CARS holders and Transurban, all remaining CARS units were converted into 65.4 million Transurban securities.

### (h) The Transportation Infrastructure Finance and Innovation Act funding

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a federal credit program under which the US Department of Transportation (USDOT) may provide Federal credit assistance to major transportation investments of critical or national significance.

On 12 June 2007 USDOT Credit Council approved Transurban's TIFIA application for US\$150.0 million. The funds are to be used to repay US\$95.2 million of Senior Debt, to finance the Richmond Airport Connector (refer item (h) (iii) of Review of Operations) and an upgrade of the electronic tolling system on the Pocahontas Parkway asset.

The TIFIA debt facility is long term funding (35 years) which offers a five year period of capitalised interest and a fixed interest rate representing one basis point above Government Bonds with similar maturity as published by the United States Treasury Bureau of Public Debt's.

## Matters subsequent to the end of the financial year

### (a) Refinance

Transurban raised AUD\$600 million in the bank debt market in August 2007. Funds raised were used to refinance short term bank facilities including the Securitisation Facilities associated with toll roads M1 and M5.

### (b) Strategic investment in the ConnectEast Group

On 7 August 2007, Transurban announced that it has an economic interest in 6.28 per cent of the ConnectEast Group. The economic interest is held via cash-settled equity swaps (4.36 per cent) and a direct holding (1.92 per cent).

Transurban's total economic interest exceeded 5.0 per cent on 3 August 2007 after an acquisition of ConnectEast securities on market.

The investment is a strategic stake and Transurban has no current intention of making a takeover offer for the ConnectEast Group.

### (c) First stage closure of DRiVe

Transurban DRiVe Holdings LLC is an unlisted co-investment vehicle which will invest in existing and new toll road and similar or related opportunities in North America. On 21 August 2007, Transurban completed the first contractual closure of DRiVe. Transurban's initial interest will be 75 per cent with Capital Partners taking 25 per cent. As a result of this transaction the Pocahontas Parkway will be sold into Transurban DRiVe Holdings LLC for US\$236.0 million.

### (d) TIFIA Loan for Pocahontas Parkway, US

On 20 August 2007, Transurban received US\$97.8 million to allow for the refinance of existing debt. Refer to Significant Changes in the State of Affairs in (h).

### 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 this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

### Environmental regulation

#### CityLink

CityLink Melbourne Limited is subject to regulation by the Environment Protection Act (1970) administered by the Victorian Environmental Protection Authority (EPA). The EPA currently regulates:

- discharges from the tunnel ventilation system and management of in-tunnel air quality
- management of discharges of treated groundwater to the Yarra River, and
- management of the groundwater recharge system.

TransLink Operations (TLO) holds EPA Waste Discharge Licence EA41502. This specifies limits on the discharge of carbon monoxide, nitrogen dioxide and particulate matter as PM10 and PM2.5 from the tunnel ventilation system and imposes requirements to monitor these emissions. The licence also includes limits on the concentration of carbon monoxide within the tunnel and requires this to be monitored continuously.

This monitoring is undertaken by several specialist organisations under the supervision of the CityLink operator, Translink Operations Pty Ltd. The monitoring organisations are certified by the National Association of Testing Authorities. Monitoring verifies that emission levels are well below the maximum levels specified in the Waste Discharge Licence.

Following discussions with the Environmental Management Committee which includes representatives from CityLink, Translink Operations, EPA Victoria, local councils and community representatives, Translink Operations sought an amendment to the Waste Discharge Licence. Accordingly, on 7 June 2005, EPA Victoria issued an amended Waste Discharge Licence (Licence EA41502) which materially altered the licence conditions. Under the amended licence, CityLink is no longer required to monitor ambient air quality in vicinity of the tunnel ventilation stacks. Monitoring of emissions within the tunnels and from the ventilation stacks continue unchanged.

In November 2002, Transurban commissioned a Groundwater Reuse Facility that is designed to treat groundwater that flows into the Burnley and Domain Tunnels and re-inject it into the aquifers along the alignment of the tunnels. As part of the management regime for this facility, EPA Victoria issued a Pollution Abatement Notice (PAN) to CityLink Melbourne Limited. This PAN requires groundwater quality to be monitored and reported. To date there have been no groundwater quality issues detected.

CityLink Melbourne Limited also holds a trade waste agreement with City West Water Limited. This agreement regulates the discharge to sewer of backwash water from the filtration system of the Groundwater Reuse Facility.

As TransLink Operations are responsible for the management of all hazardous spills, EPA Victoria also issued a PAN to TransLink Operations in relation to discharge of tunnel water to the Yarra River. This PAN ensures that TLO only discharge treated groundwater from the tunnels to the Yarra River.

In addition to the above environmental regulations, the PS&TR imposes a range of additional environmental requirements on CityLink. These include additional air quality requirements to be met within the tunnels, including oxides of nitrogen and visibility, and noise requirements on the open road system.

#### Hill M2

Hills Motorway Limited is subject to environmental regulation in respect to:

- discharge of stormwater runoff from the M2 Motorway into the Lane Cove River, and
- Carbon-Monoxide levels within the M2 tunnels.

Monitoring of these parameters indicates that environmental requirements have been satisfied.

#### Westlink M7

Westlink M7 operations are not subject to any special environmental regulation apart from that which would apply to any other road or development of a similar nature except where protection for sensitive areas and specified trees that are endangered sites used by bats for roosting.

#### Pocahontas Parkway

Pocahontas environmental responsibilities with respect to general Operations and Maintenance fall into the following categories:

- Protection of natural resources
- Noise control
- Water quality
- Air quality
- Dust control, and
- Threatened and endangered species.

There are no special environmental issues existing on Pocahontas Parkway except for the existence of several buried pipelines associated with the Dupont Spruance Chemical facility located at the western end of the parkway near the James River. Pocahontas's obligations in relation to these pipelines are:

- to ensure due care is taken when undertaking works and excavations in the vicinity of the pipelines, and
- monitor groundwater in the vicinity of the pipeline to identify any leakage that may arise from the pipeline.

#### M1 Motorway

The Eastern Distributor has been constructed under a licence issued by the Department of Urban Affairs and Planning (DUAP). This licence was issued following an environmental impact study of the project, and as part of the terms of the licence, the Minister for Planning and the Environmental Protection Agency (EPA) stipulated 152 environmental conditions to which Leighton Contractors Pty Limited (the contractors) must adhere. These conditions range from engineering, public access and amenity to environmental concerns. Breaches of the environmental conditions could result in cessation of the project.

Compliance with these requirements is monitored by a monthly report that the contractor submits to DUAP. This report outlines the compliance with the aforementioned environmental conditions stipulated in the licence. The report is subject to audit by both the consulting engineer Sinclair Knight Merz (SKM) and the Roads and Traffic Authority of NSW and no significant breaches have been reported.

## Directors' report

The licence also requires compliance with the Pollution Control Act with respect to the level of noise and water pollution generated by the construction. This is administered by the NSW EPA. There have been no significant breaches of this Act.

Licences have also been issued under the Clean Waters Act and the Noise Control Act, which relate to the discharging of water from the site and noise generating activities. There have been no significant breaches of these Acts.

Other Acts with which the project is required to comply with are:

- Clean Air Act
- NSW Heritage Act
- Waste Minimisation and Management Act
- The Environmental Offences & Penalties Act, and
- Environmentally Hazardous Chemicals Act.

There has been no significant breaches of these Acts.

### M4 Motorway

The operations of the M4 Motorway and twin Service Centres are required to comply with various Acts including the Protection of the Environment Operations Act, NSW Heritage Act, Waste Minimisation and Management Act, and Environmentally Hazardous Chemicals Act. There have been no significant breaches of these Acts.

### M5 Motorway

The company's operations are subject to significant environmental regulation under New South Wales laws. The company has a designated officer who monitors compliance with environmental legislation and with its environmental incident response procedures. A regular compliance report is provided to the Board of Directors. The Directors are not aware of any breach of significant environmental regulations by the company during the period covered by this report.

## Information on directors

### David J Ryan AO

BBus, FCPA, FAICD

Chairman & Independent non-executive director

### Experience and expertise

David has a background in the finance industry and in business.

### Other current directorships

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

### Former directorships in last 3 years

Non-executive director of Virgin Blue Holdings Limited (2003–2005)

Non-executive director of Sydney Roads Limited (April–June 2007)

Non-executive director of Sydney Roads Management Limited (April–July 2007)

### Date of initial appointment

29 April 2003

### Special responsibilities

Chairman of the Board

Chair of Audit Committee and Member of Risk Committee

### Kimberley Edwards

BE, MAdmin (Bus), FIE (Aust), MAICD

Managing Director

### Experience and expertise

Kim has held senior management positions on major commercial and infrastructure projects in Australia, the UK and the Middle East. He joined Transurban to lead the successful bid for the CityLink project in Melbourne, and spearheaded the development of the Group into new toll road opportunities in Australia and the US.

### Other current directorships

None

### Former directorships in last 3 years

Executive Director of Hills Motorway Ltd (April–August 2005)

Executive Director of Sydney Roads Limited (April–June 2007)

Executive Director of Sydney Roads Management Limited (April–July 2007)

### Date of initial appointment

29 October 1996

### Special responsibilities

Managing Director

**Geoffrey O Cosgriff****BAppSc, Company Director Diploma, FIE(Aust), FAICD**

Independent non-executive director

**Experience and expertise**

Geoff held executive management roles with Melbourne and Metropolitan Board of Works and has extensive experience in the information technology industry, including as the founding Managing Director of MITS Limited. He is a Council Member for Leadership Victoria.

**Other current directorships**

Non-executive director of UXC Limited  
Non-executive director LogicalCMG Pty Limited

**Former directorships in last 3 years**

None.

**Date of initial appointment**

19 December 2000

**Special responsibilities**

Chairman of Nomination and Remuneration Committee and Member of Risk Committee

**Jeremy G A Davis****BEC, MBA, MA, FAICD**

Independent non-executive director

**Experience and expertise**

Jeremy is a Professor Emeritus of the University of NSW after retiring from the Australian Graduate School of Management in January 2006. 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 director of Singapore Power Limited.

**Other current directorships**

Non-executive director of SP AusNet

**Former directorships in last 3 years**

None

**Date of initial appointment**

16 December 1997

**Special responsibilities**

Member of Audit Committee and Member of Nomination and Remuneration Committee

**Susan M Oliver****B.Prop.& Const, FAICD**

Independent non-executive director

**Experience and expertise**

Susan's experience covers private and public sector senior management roles, strategic and technology consulting and business development. She is a former Senior Manager of Andersen Consulting and former Managing Director of the Australian Commission for the Future Limited. Susan is currently Chair of the Remuneration Committee of MBF Australia Limited, and executive director and owner of wwrite Pty Limited.

**Other current directorships**

Non-executive director of Programmed Maintenance Services Limited  
Non-executive director of Just Group Limited  
Non-executive director MBF Australia Limited

**Former directorships in last 3 years**

None

**Date of initial appointment**

25 June 1996

**Special responsibilities**

Chair of Corporate Social Responsibility Committee and Chair of Risk Committee

**Christopher J S Renwick AM****BA, LLB, FAIM, FAIE, FTSE**

Independent non-executive director

**Experience and expertise**

Christopher has over 35 years of experience in mining, operational business management and law.

**Other current directorships**

Non-executive Chairman of Coal & Allied Industries Limited  
Non-executive director of Downer-EDI Limited and Sims Group Limited

**Former directorships in last 3 years**

None

**Date of initial appointment**

26 July 2005

**Special responsibilities**

Member of Corporate Social Responsibility and Member of Risk Committee

**James Keyes****M.A (Hons)**

Independent non-executive director.

**Experience and expertise**

James is Partner and the Local Team Leader of the Funds and Investment Services Team at Appleby Hunter Bailhache (legal firm within Bermuda). He practised as a lawyer for more than 15 years and specialises in the area of mutual funds, corporate finance and securities.

**Other current directorships**

None

**Former directorships in last 3 years**

None

**Date of initial appointment**

18 September 2006

**Special responsibilities**

None

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## Jennifer Eve

BA, LLB (Hons), LLM

Independent non-executive director

### Experience and expertise

Jennifer is an associate and member of the Funds and Investment Services Team at Appleby Hunter Bailhache (legal firm within Bermuda). She practices in the area of company and commercial law, specialising in the formation and administration of corporate vehicles.

### Other current directorships

None

### Former directorships in last 3 years

None

### Date of initial appointment

18 September 2006

### Special responsibilities

None

## Company Secretary

### Mark Licciardo

BBus (Acc), GradDip CSP, ASA, FCIS

Mark held the position of Company Secretary from January 2005 until his resignation on 17 August 2007. Before joining Transurban he held the position of company secretary with a group of listed investment companies, the major one being Australian Foundation Investment Company Limited. Prior to that he held various finance roles with investment companies and major banks.

### Paul O'Shea

B Ec, LLB, FCIS

Paul is General Counsel and Group General Manager Risk Management. He was originally appointed General Counsel in March 1996. He has responsibility for legal advice, the Group's risk management strategy and direction, insurance and Independent Customer Resolutions. Before joining Transurban he held a senior legal role at Transfield for 18 months during the bid for CityLink.

## Meetings of directors

The number of meetings of the board of directors of Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited held during the year ended 30 June 2007, and the numbers of meetings attended by each director is listed below. The number of meetings of the board of directors of Transurban Limited held during the period Transurban Limited was part of the triple staple and the number of meetings attended by each director is listed below.

| Name                      | Board of Directors<br>Transurban Holdings Limited |    | Board of Directors<br>Transurban Infrastructure<br>Management Limited |    | Board of Directors<br>Transurban International<br>Limited |   | Board of Directors<br>Transurban Limited |   |
|---------------------------|---|----|---|----|---|---|--|---|
|                           | A   | B  | A   | B  | A   | B | A  | B |
| D J Ryan AO               | 18  | 18 | 18  | 18 | 2   | 2 | 8  | 8 |
| L G Cox AO <sup>(1)</sup> | 5   | 5  | 5   | 5  | -   | - | 5  | 5 |
| P C Byers <sup>(2)</sup>  | -   | 4  | -   | 4  | x   | x | -  | 4 |
| G O Cosgriff              | 18  | 18 | 18  | 18 | x   | x | 8  | 8 |
| J G A Davis               | 18  | 18 | 18  | 18 | x   | x | 8  | 8 |
| S M Oliver                | 16  | 18 | 16  | 18 | x   | x | 6  | 8 |
| C J S Renwick AM          | 15  | 18 | 15  | 18 | x   | x | 8  | 8 |
| K Edwards                 | 18  | 18 | 18  | 18 | 2   | 2 | 8  | 8 |
| J Keyes                   | x   | x  | x   | x  | 2   | 2 | x  | x |
| J Eve                     | x   | x  | x   | x  | 2   | 2 | x  | x |

A = Number of meetings attended

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

X = Not a member of the relevant board of directors

(1) Mr Cox resigned effective from 28 February 2007

(2) The Board granted Mr Byers leave for an indefinite period on 20 April 2006 until his retirement on 23 October 2006

The number of meetings of each board committee of Transurban Holdings Limited, Transurban Infrastructure Management Limited, Transurban International Limited (from 3 January 2007, the day TIL joined the triple stapled) and Transurban Limited (until 3 January 2007, the day TL left the triple stapled) held during the year ended 30 June 2007, and the numbers of meetings attended by each director are set out in the following table. All meetings were held jointly.

| Name                                | Audit Committee |   | Nomination & Remuneration Committee |   | Risk Committee |   | Corporate & Social Responsibility Committee |   | Sub Committee (Acquisition) |   |
|-------------------------------------|-----------------|---|-------------------------------------|---|----------------|---|---|---|-----------------------------|---|
|                                     | A               | B | A                                   | B | A              | B | A   | B | A                           | B |
| D J Ryan AO <sup>(1)</sup>          | 4               | 4 | 2                                   | x | 4              | 4 | x   | x | 8                           | 8 |
| L G Cox AO <sup>(2)</sup>           | 3               | 3 | 5                                   | 5 | x              | x | 2   | x | x                           | x |
| P C Byers <sup>(3)</sup>            | -               | 1 | x                                   | x | x              | x | x   | x | -                           | 4 |
| G O Cosgriff <sup>(4)</sup>         | 1               | x | 8                                   | 8 | 4              | 4 | x   | x | 7                           | 7 |
| J G A Davis                         | 3               | 4 | 8                                   | 8 | x              | x | x   | x | 7                           | 7 |
| S M Oliver <sup>(1) (5)</sup>       | 4               | x | 1                                   | x | 4              | 4 | 3   | 3 | 5                           | 7 |
| C J S Renwick AM <sup>(1) (4)</sup> | 2               | x | 1                                   | x | 4              | 4 | 3   | 3 | 7                           | 7 |
| K Edwards <sup>(4)</sup>            | 3               | x | 8                                   | x | x              | x | x   | x | 8                           | 8 |
| J Keyes                             | x               | x | x                                   | x | x              | x | x   | x | x                           | x |
| J Eve                               | x               | x | x                                   | x | x              | x | x   | x | x                           | x |

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

A = Number of meetings attended

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

X = Not a member of the relevant committee

<sup>(1)</sup> Mr Ryan, Ms Oliver and Mr Renwick are not members of the Nomination and Remuneration Committee but attended meetings during the year.

<sup>(2)</sup> Mr Cox was not a member of the CSR Committee but attended meetings during the year. Mr Cox resigned effective from 28 February 2007

<sup>(3)</sup> The Board granted leave to Mr Byers for an indefinite period on 20 April 2006 until his retirement on 23 October 2006

<sup>(4)</sup> Mr Edwards was excluded from discussions involving his remuneration during meetings of the Nomination and Remuneration Committee he attended.

<sup>(5)</sup> Ms Oliver is not a member of the Audit Committee but attended 4 of these meetings in her capacity as chair of the Risk Committee.

<sup>(6)</sup> Mr Cosgriff and Mr Renwick are not members of the Audit Committee but each attended meetings during the year.

## Directors' interests

The directors of the Group have disclosed relevant interests in Stapled Securities and options over Stapled Securities as follows:

| Name             | Number of Stapled Securities | Stapled Securities issued via Executive Loan Plan |
|------------------|------------------------------|---|
| D J Ryan AO      | 24,091                       | -   |
| G O Cosgriff     | 48,611                       | -   |
| J G A Davis      | 55,592                       | -   |
| S M Oliver       | 41,831                       | -   |
| C J S Renwick AM | 21,552                       | -   |
| K Edwards        | 1,311,000                    | 722,500   |
| J Keyes          | -                            | -   |
| J Eve            | -                            | -   |

## Directors' report

### Remuneration report

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

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Additional information

The information provided under the headings A-D includes remuneration disclosures that are required under Accounting Standards AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

#### (a) Principles used to determine the nature and amount of remuneration (audited)

##### Non-executive directors

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

The constitutions of the entities comprising the Transurban Group ('the Group') provide that the total remuneration paid in a year to non-executive directors may not exceed \$1.9 million in total for the Group.

Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 October 2006.

In September 2005, the Board resolved to discontinue previously provided retirement benefits for all participating non-executive directors with effect from 30 September 2005 such that future directors were not entitled to this benefit. The value of benefits accrued up to this date attracts interest at the statutory Fringe Benefits rate (currently 7.05 per cent). The accrued 'frozen' retirement benefits plus interest will be paid to directors upon their retirement.

##### Executive directors and executives

The key objectives of the Group's policy for executive remuneration are:

- To secure employees with the skills and experience necessary to meet business objectives
- To motivate employees to the highest levels of performance, and
- To align employee incentives with increased security holder value.
- The policy seeks to support the Group's objective to be perceived as "an employer of choice" by:
  - Offering remuneration levels which are attractive relative to those offered by comparable employers, and
  - Providing strong, transparent linkages between individual and group performance and rewards.

In consultation with external remuneration consultants, the Group has structured its executive remuneration to reward both longer term growth and the achievement of short term performance targets.

Executives are remunerated through a combination of base salary and benefits, short-term incentives (STI) in the form of cash bonuses and long-term incentives (LTI).

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

The incentive component of executive remuneration is determined by:

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

The remuneration of the Managing Director is established by the Board, based on the recommendation of the Remuneration Committee. The remuneration of senior executives reporting to the Managing Director is established by the Remuneration Committee, based on the recommendation of the Managing Director.

The components of executive remuneration are described below:

##### Base pay

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

##### Benefits

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

##### Short-term incentives

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

- The extent to which the Group has met its key result areas (KRAs);
- The extent to which profit-related financial and non-financial performance targets are achieved, and
- The extent to which the executive has achieved his/her individual KPIs.

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

Each year, key result areas, including a financial performance target are established by the Board, based on recommendations made by the Managing Director. The KPIs for the Managing Director are established by the Board based on recommendations made by the Remuneration Committee. KPIs for executives reporting to the Managing Director are established by the Managing Director.

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

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

## Directors' report

### Long-term incentives

On an annual basis, the Group makes available Long Term Incentive (LTI) allocations to executives. Two forms of long-term incentives (LTI) were in operation during the reporting period. The Executive Long Term Incentive Plan (ELTIP) provided cash rewards linked to equity performance over a two year vesting period and the Executive Loan Plan (ELP) which is linked to improvements in the price of stapled securities over a three year period. Both plans utilise Total Security holder Return as the basis for determining payment.

Following announcement of changes in the May 2006 Federal Budget to extend the employee share scheme and related capital gains tax provisions to stapled securities that include an ordinary share and are listed on the Australian Stock Exchange, a review of the company's share plans was undertaken. As a result, a new Performance Rights Plan (PRP) was adopted by the Board for implementation in November 2007.

The new PRP will utilise two performance measures, one linked to Total Security holder Return over a three year vesting period and the second, an operational performance measure of the business over the same period. The Plan has been structured so that rewards are only obtained if there are materially improved security holder returns and operational performance results over the three year period.

Executives participating in the PRP are provided with a right to acquire, at no cost to them, an allocated number of stapled securities, subject to the achievement of performance conditions at the time of vesting. Executives based outside Australia are eligible to participate in a cash based plan similarly structured to the PRP.

### Employee security ownership plan

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

### Business generation incentive plan

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

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

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

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

### (b) Details of remuneration (audited)

Transurban Holdings Limited does not employ any executive key management personnel or executive directors. All related remuneration disclosures refer to other Group entities and have not been apportioned between the Group entities as a relevant basis of apportionment is not available.

Non-executive remuneration reported as "Transurban Holdings Limited" represents the parent's share of remuneration with the remainder divided between Transurban Holding Trust, Transurban Limited and Transurban International Limited.

Share-based disclosures relate to the Transurban Stapled Group. The full amounts have been disclosed within the parent disclosures as a reasonable basis of apportionment is not available.

Details of the remuneration of the directors, key management personnel and each of the 5 highest paid executives of Transurban Holdings Limited and the Transurban Holdings Group are set out in the following tables.

The 5 highest paid executives who are not directors of the Group are:

- C Brant—Chief Finance Office
- B Bourke—Group General Manager Operations
- P O'Shea—General Counsel and Group General Manager Risk Management
- K Daley—Senior Vice President International Development
- M Kulper—Senior Vice President North America

The key management personnel of the Group are the directors of the Transurban Group (see page 10) and those executives that report directly to the managing director. The executives are:

- C Brant—Chief Finance Officer
- B Bourke—Group General Manager Operations
- P O'Shea—General Counsel and Group General Manager Risk Management
- G Mann—Group General Manager Development

All of the above persons were also key management persons during the year ended 30 June 2007.



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## Directors' report

### Key management personnel of Transurban Holdings Limited

| 2007<br>Name  | Short-term benefits  |            |              | Post-employment benefits |                        | Share-based payments |                         |                              | Total            |
|---|----------------------|------------|--------------|--------------------------|------------------------|----------------------|-------------------------|------------------------------|------------------|
|   | Cash salary and fees | Cash Bonus | Non-monetary | Super-annuation          | Retirement benefits(a) | Options(b)           | Executive Loan Plan (c) | Long term Incentive Plan (d) |                  |
|   | \$                   | \$         | \$           | \$                       | \$                     | \$                   | \$                      | \$                           | \$               |
| <b>Non-executive directors</b>  |                      |            |              |                          |                        |                      |                         |                              |                  |
| D J Ryan AO   | 78,397               | -          | -            | 7,056                    | -                      | -                    | -                       | -                            | 85,453           |
| L G Cox AO <sup>(1)</sup>   | 76,692               | -          | -            | 26,278                   | 15,363                 | -                    | -                       | -                            | 118,333          |
| P C Byers <sup>(2)</sup>  | 15,297               | -          | -            | 1,377                    | 3,279                  | -                    | -                       | -                            | 19,953           |
| G O Cosgriff  | 60,232               | -          | -            | 5,421                    | 5,148                  | -                    | -                       | -                            | 70,801           |
| J G A Davis   | 34,806               | -          | -            | 35,000                   | 8,576                  | -                    | -                       | -                            | 78,382           |
| S M Oliver  | 66,924               | -          | -            | 6,023                    | 9,852                  | -                    | -                       | -                            | 82,799           |
| C J S Renwick AM  | 21,837               | -          | -            | 43,797                   | -                      | -                    | -                       | -                            | 65,634           |
| <b>Executive directors</b>  |                      |            |              |                          |                        |                      |                         |                              |                  |
| K Edwards<br>Managing Director  | -                    | -          | -            | -                        | -                      | -                    | 264,409                 | 376,710                      | 641,119          |
| <b>Other key management personnel</b>   |                      |            |              |                          |                        |                      |                         |                              |                  |
| C Brant   | -                    | -          | -            | -                        | -                      | -                    | 105,941                 | 80,051                       | 185,992          |
| B Bourke  | -                    | -          | -            | -                        | -                      | -                    | 94,214                  | 75,342                       | 169,556          |
| P O Shea  | -                    | -          | -            | -                        | -                      | -                    | 73,008                  | 56,506                       | 129,514          |
| G Mann  | -                    | -          | -            | -                        | -                      | -                    | 98,935                  | -                            | 98,935           |
| <b>Five executives receiving the highest remuneration – not already mentioned above</b> |                      |            |              |                          |                        |                      |                         |                              |                  |
| K Daley   | -                    | -          | -            | -                        | -                      | -                    | 102,046                 | 56,506                       | 158,552          |
| M Kulper  | -                    | -          | -            | -                        | -                      | -                    | 114,379                 | -                            | 114,379          |
| <b>Total</b>  | <b>354,185</b>       | <b>-</b>   | <b>-</b>     | <b>124,952</b>           | <b>42,218</b>          | <b>-</b>             | <b>852,932</b>          | <b>645,115</b>               | <b>2,019,402</b> |

## Directors' report

### Key management personnel of the Group

| 2007<br>Name  | Short-term benefits  |                  |               | Post-employment benefits |                        | Share-based payments |                         |                              | Total             |
|---|----------------------|------------------|---------------|--------------------------|------------------------|----------------------|-------------------------|------------------------------|-------------------|
|   | Cash salary and fees | Cash Bonus       | Non-monetary  | Super-annuation benefits | Retirement benefits(a) | Options(b)           | Executive Loan Plan (c) | Long term Incentive Plan (d) |                   |
|   | \$                   | \$               | \$            | \$                       | \$                     | \$                   | \$                      | \$                           | \$                |
| <b>Non-executive directors</b>  |                      |                  |               |                          |                        |                      |                         |                              |                   |
| D J Ryan AO   | 235,191              | -                | -             | 21,167                   | -                      | -                    | -                       | -                            | 256,358           |
| L G Cox AO <sup>(1)</sup>   | 204,511              | -                | -             | 70,075                   | 40,969                 | -                    | -                       | -                            | 315,555           |
| P C Byers <sup>(2)</sup>  | 45,891               | -                | -             | 4,130                    | 9,838                  | -                    | -                       | -                            | 59,859            |
| G O Cosgriff  | 144,557              | -                | -             | 13,010                   | 12,355                 | -                    | -                       | -                            | 169,922           |
| J G A Davis   | 83,535               | -                | -             | 84,000                   | 20,582                 | -                    | -                       | -                            | 188,117           |
| S M Oliver  | 160,618              | -                | -             | 14,455                   | 23,646                 | -                    | -                       | -                            | 198,719           |
| C J S Renwick AM  | 52,409               | -                | -             | 105,113                  | -                      | -                    | -                       | -                            | 157,522           |
| J M Keyes   | 9,249                | -                | -             | -                        | -                      | -                    | -                       | -                            | 9,249             |
| J Eve   | 9,249                | -                | -             | -                        | -                      | -                    | -                       | -                            | 9,249             |
| <b>Executive directors</b>  |                      |                  |               |                          |                        |                      |                         |                              |                   |
| K Edwards<br>Managing Director  | 1,495,520            | 1,600,000        | 8,330         | 105,113                  | -                      | -                    | 264,409                 | 376,710                      | 3,850,082         |
| <b>Other key management personnel</b>   |                      |                  |               |                          |                        |                      |                         |                              |                   |
| C Brant   | 561,683              | 550,000          | 8,330         | 49,641                   | -                      | -                    | 105,941                 | 80,051                       | 1,355,646         |
| B Bourke  | 515,792              | 500,000          | 8,330         | 45,510                   | -                      | -                    | 94,214                  | 75,342                       | 1,239,188         |
| P O'Shea  | 325,454              | 450,000          | 8,330         | 105,124                  | -                      | -                    | 73,008                  | 56,506                       | 1,018,422         |
| G Mann  | 465,415              | 250,000          | 8,330         | 85,000                   | -                      | -                    | 98,935                  | -                            | 907,680           |
| <b>Five executives receiving the highest remuneration – not already mentioned above</b> |                      |                  |               |                          |                        |                      |                         |                              |                   |
| K Daley   | 343,343              | 350,000          | -             | 105,113                  | -                      | -                    | 102,046                 | 56,506                       | 957,008           |
| M Kulper  | 425,000              | 350,000          | -             | 55,519                   | -                      | -                    | 114,379                 | -                            | 944,898           |
| <b>Total</b>  | <b>5,077,417</b>     | <b>4,050,000</b> | <b>41,650</b> | <b>862,970</b>           | <b>107,390</b>         | <b>-</b>             | <b>852,932</b>          | <b>645,115</b>               | <b>11,637,474</b> |

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

(2) P C Byers was a non-executive director from the beginning of the period until his retirement on 23 October 2006. Mr Byers was paid a retirement benefit of \$0.3 million.

# FINANCIALS

## Directors' report

### Key management personnel of the Group

| 2006<br>Name  | Short-term benefits  |                  |               | Post-employment benefits |                        | Share-based payments |                         |                              | Total             |
|---|----------------------|------------------|---------------|--------------------------|------------------------|----------------------|-------------------------|------------------------------|-------------------|
|   | Cash salary and fees | Cash Bonus       | Non-monetary  | Super-annuation          | Retirement benefits(a) | Options(b)           | Executive Loan Plan (c) | Long term Incentive Plan (d) |                   |
|   | \$                   | \$               | \$            | \$                       | \$                     | \$                   | \$                      | \$                           | \$                |
| <b>Non-executive directors</b>  |                      |                  |               |                          |                        |                      |                         |                              |                   |
| D J Ryan AO   | 145,114              | -                | -             | 13,060                   | -                      | -                    | -                       | -                            | 158,174           |
| L G Cox AO  | 362,614              | -                | -             | 12,139                   | 66,526                 | -                    | -                       | -                            | 441,279           |
| P C Byers   | 144,412              | -                | -             | 12,997                   | 25,562                 | -                    | -                       | -                            | 182,971           |
| G O Cosgriff  | 121,611              | -                | -             | 17,948                   | 19,364                 | -                    | -                       | -                            | 158,923           |
| J G A Davis   | 84,994               | -                | -             | 59,500                   | 26,061                 | -                    | -                       | -                            | 170,555           |
| S M Oliver  | 136,755              | -                | -             | 12,308                   | 25,717                 | -                    | -                       | -                            | 174,780           |
| C J S Renwick AM  | 41,591               | -                | -             | 100,587                  | -                      | -                    | -                       | -                            | 142,178           |
| <b>Executive directors</b>  |                      |                  |               |                          |                        |                      |                         |                              |                   |
| K Edwards<br>Managing Director  | 1,400,006            | 1,100,000        | 7,900         | 100,587                  | -                      | 57,972               | 93,151                  | 512,111                      | 3,271,727         |
| G R Phillips <sup>(e)</sup><br>Deputy Managing Director                                 | 174,592              | -                | 658           | 861,261                  | -                      | 19,324               | -                       | -                            | 1,055,835         |
| <b>Other key management personnel</b>   |                      |                  |               |                          |                        |                      |                         |                              |                   |
| C Brant   | 515,872              | 465,000          | 7,900         | 45,460                   | -                      | -                    | 35,174                  | 36,030                       | 1,105,436         |
| B Bourke  | 445,682              | 442,500          | 7,900         | 41,303                   | -                      | -                    | 30,405                  | 98,389                       | 1,066,179         |
| P O'Shea  | 351,333              | 464,000          | 7,900         | 31,399                   | -                      | -                    | 22,356                  | 77,822                       | 954,810           |
| G Mann  | 386,148              | 120,000          | 13,400        | 12,139                   | -                      | -                    | 33,534                  | -                            | 565,221           |
| <b>Five executives receiving the highest remuneration – not already mentioned above</b> |                      |                  |               |                          |                        |                      |                         |                              |                   |
| M Kulper  | 222,095              | 1,599,134        | -             | 31,964                   | -                      | -                    | -                       | 27,821                       | 1,881,014         |
| K Daley   | 340,992              | 904,100          | -             | 28,748                   | -                      | -                    | -                       | 116,816                      | 1,390,656         |
| <b>Total</b>  | <b>4,873,811</b>     | <b>5,094,734</b> | <b>45,658</b> | <b>1,381,400</b>         | <b>163,230</b>         | <b>77,296</b>        | <b>214,620</b>          | <b>868,989</b>               | <b>12,719,738</b> |

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

(b) No options were granted during the year over Transurban Group Stapled Securities. Option remuneration in year 2006 relates to options granted to Executive Directors and Executives in prior financial years. The amounts disclosed as remuneration is that part of the value of the options which is attributable to the current year portion of the vesting period.

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

(d) The amount shown as Long Term Incentive is that part of the units issued under the cash based ELTIP which is attributable to the current year portion of the vesting period for each current allocation.

(e) G R Phillips was an executive director from the beginning of the prior year until his resignation on 26 July 2005.

## Directors' report

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

| Name   | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|--|--------------------|------|---------------|------|---------------|------|
|  | 2007               | 2006 | 2007          | 2006 | 2007          | 2006 |
| <b>Directors of the Group</b>                      |                    |      |               |      |               |      |
| K Edwards  | 43%                | 52%  | 43%           | 38%  | 14%           | 10%  |
| <b>Other key management personnel of the Group</b> |                    |      |               |      |               |      |
| C Brant  | 43%                | 49%  | 40%           | 41%  | 17%           | 10%  |
| B Bourke   | 43%                | 47%  | 39%           | 43%  | 18%           | 10%  |
| P O'Shea   | 40%                | 41%  | 43%           | 50%  | 17%           | 9%   |
| C Mann   | 54%                | 69%  | 25%           | 16%  | 21%           | 15%  |

### (c) Service agreements (audited)

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

#### Executive director

K Edwards, Managing Director

- Fixed remuneration including base salary and superannuation, for the year ending 30 June 2008 of \$1,900,000 to be reviewed annually by the Remuneration Committee and the Board;
- A Short Term Incentive Payment of \$1,600,000 being 100 per cent of his total employment cost for the year ending 30 June 2007.
- A Long Term Incentive allocation for financial year 2008 under the terms and conditions of the new Performance Rights Plan (described in Section D) equal to \$1,000,000 (or approximately 50 per cent of TEC) to be offered 1 November 2007 with Stapled Securities to be acquired on market.
- The Managing Director's allocation will be derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. By dividing the Managing Director's remuneration value by this adjusted valuation, the number of Stapled Securities will be derived. For example, if the valuation at 1 November 2007 is \$3.50, the Managing Director's allocation of \$1,000,000 will be divided by this valuation to provide him with a total of 285,715 performance rights.
- Term of Agreement—permanent, subject to 6 months notice of termination;
- The payment of 1.3 times of fixed remuneration upon termination

#### Key management personnel and other executives

The major provisions contained in the service agreements of key management personnel and other executives are the same for all persons except for the base salary component and include the following provisions:

- Term of agreement—permanent, subject to termination on 6 months notice; and
- Total Employment Cost (TEC) reviewed annually by the Remuneration Committee and approved by the Board.

### (d) Share-based compensation (audited)

#### Options

The Executive Option Plan was offered in years 2001 and 2002. Options were issued at no cost to the Option holder and vested in three equal tranches on the second, third and fourth anniversaries of their issue. The Exercise of the options was subject to an Exercise Condition. The Exercise Condition involved a comparison between Total Security holder Return (TSR) of The Transurban Group's Stapled Securities over the two years prior to a vesting date of options and the TSR of each of the other companies in the S&P/ASX 200 Industrials as at the end of the relevant Exercise Condition Test Period which had been in the S&P/ASX 200 Industrials for the full term of the Exercise Condition Test Period (Test Companies) measured over the same period.

TSR measures the total return on investment of a security. It takes into account both capital appreciation and distribution income. The Transurban Group and each of the Test Companies were ranked according to their respective TSRs over the Exercise Condition Test Period. The ranking determined the extent to which vested options could be exercised. If the Group's TSR exceeded the 65th percentile of the ranking, 100 per cent of the vested options were exercisable. If Transurban Group's TSR was below the 25th percentile of the ranking, none of the vested options were exercisable. If the TSR fell between these percentiles, the percentage of vested options that were exercisable were calculated according to a formula.

The exercise price of options was the volume weighted average price at which the Group's stapled securities were traded on the Australian Stock Exchange during the 5 business days immediately prior to granting the options. When exercised, each option was converted into one stapled security. Options were exercisable at any time after vesting.

Fair values at grant date were independently determined, using a Black-Scholes derived option valuation model taking into consideration the exercise price, the term of the option, the market price of Transurban Group stapled securities on the grant date, the expected price volatility of Transurban Group stapled securities, expected future distributions and the risk free rate of interest over the term of the options.

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

# FINANCIALS

## Directors' report

| Grant date      | Expiry date     | Exercise price | Value per option at grant date | Date exercisable                             |
|-----------------|-----------------|----------------|--------------------------------|--|
| 26 April 2001   | 30 April 2006   | \$3.817        | \$0.425                        | One-third after 28/04/03, 26/04/04, 26/04/05 |
| 23 October 2001 | 31 October 2006 | \$4.404        | \$0.491                        | One-third after 28/04/03, 26/04/04, 26/04/05 |
| 1 February 2002 | 30 April 2007   | \$4.280        | \$0.477                        | One-third after 01/02/04, 01/02/05, 01/02/06 |
| 9 April 2002    | 30 April 2007   | \$4.030        | \$0.449                        | One-third after 20/05/04, 20/05/05, 20/05/06 |
| 20 May 2002     | 30 April 2007   | \$4.220        | \$0.470                        | One-third after 20/05/04, 20/05/05, 20/05/06 |

No options were granted or vested during the years ended 30 June 2007 and 30 June 2006.

### Stapled securities provided on exercise of remuneration options

Details of stapled securities provided as a result of the exercise of remuneration options to each director of the Transurban Group and other key management personnel of the Group are set out below.

| Name   | Number of stapled securities issued on exercise of options during the year |           |
|--|--|-----------|
|  | 2007   | 2006      |
| <b>Directors of the Group</b>                      |  |           |
| K Edwards  | -  | 1,500,000 |
| <b>Other key management personnel of the Group</b> |  |           |
| C Brant  | -  | -         |
| B Bourke   | -  | -         |
| P O'Shea   | -  | -         |
| G Mann   | -  | -         |

No stapled securities were issued during the year. All options under this plan have now expired.

### Executive long term incentive plan

The executive long term incentive plan (ELTIP) was offered in years 2004 and 2005.

Under the ELTIP, participants were allocated ELTI units. Each ELTI unit entitled the holder to a cash payment on the maturity date, approximately two years after the date of allocation. The cash payment per unit was equal to the increase in the stapled security price over the period between the date of allocation and the maturity date. The proportion of ELTI units which vest with the executive at maturity is dependent on the Transurban Group's ranking in the Total Shareholder Returns (TSRs) of the companies within the S&P/ASX 200 Industrials over the two years prior to maturity. If Transurban's TSR ranking is below the 40th percentile, no payment is made. For TSR rankings between the 40th and 70th percentiles, the proportion increases linearly from 25 per cent to 100 per cent. If Transurban's TSR ranking is above the 70th percentile, the proportion is 100 per cent.

The terms and conditions of each grant of long term incentive plan units affecting remuneration in this reporting period are as follows on page 27.

## Directors' report

| Grant date   | Expiry date  | Grant price | Value per unit at grant date | Value per unit at reporting date | Date Paid   |
|--------------|--------------|-------------|------------------------------|----------------------------------|-------------|
| 30 Sept 2004 | 30 Sept 2006 | \$5.45      | \$0.54                       | \$1.79                           | 30 Nov 2006 |

Details of ELTIs paid to each director of the Transurban Group and other key management personnel of the Group are set out below. No ELTIs were issued in the years ended 30 June 2007 and 30 June 2006.

| Name   | Number of ELTIs paid during the year |         | \$ Value of ELTIs paid during the year |           |
|--|--------------------------------------|---------|--|-----------|
|  | 2007                                 | 2006    | 2007                                   | 2006      |
| <b>Directors of the Group</b>                      |                                      |         |  |           |
| K Edwards  | 800,000                              | 850,000 | 1,083,019                              | 2,558,500 |
| <b>Other key management personnel of the Group</b> |                                      |         |  |           |
| C Brant  | 170,000                              | -       | 230,142                                | -         |
| B Bourke   | 160,000                              | 160,000 | 216,604                                | 481,600   |
| P O'Shea   | 120,000                              | 130,000 | 162,453                                | 391,300   |
| G Mann   | -                                    | -       | -                                      | -         |

### Executive Loan Plan (ELP)

The Executive Loan plan (ELP) offered in years 2006 and 2007, was introduced as it offered payoff characteristics similar to those of an option-based plan and thus rewarded TSR out performance. The ELP is structured as a performance loan plan which is linked to improvements in the price of stapled securities over a three year period. The Plan has been structured so that rewards are only obtained if there are materially improved security holder returns.

Executives participating in the ELP are provided with an interest free loan to assist them to acquire stapled securities at market price. The term of the loan is three years and there is only one testing date. The Stapled Securities are held by the executive but will only vest in the executive in accordance with the terms of the Plan. Expiry occurs 3 years plus 60 days from the date of commencement of the Plan, unless the rules of the Plan otherwise provide. Holding locks are applied to the Stapled Securities to ensure that they can only be dealt with in accordance with the terms of the Plan. The acquired securities cannot be transferred or sold while the loan is outstanding.

Stapled securities vest in the executive if:

- the executive is employed by the Transurban Group for at least 3 years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide; and
- the performance hurdle relevant to the offer is met.

If the Stapled Securities vest in the executive:

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

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

The Plan was designed so that the executive does not need to provide any money to purchase securities in the Transurban Group and is not himself or herself directly responsible for repayment of any loan provided. The proceeds of sale of stapled securities are, unless the rules of the Plan provide otherwise, applied to discharge the repayable portion of any loan.

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

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

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

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

This ranking determines the extent to which stapled securities will vest.

- If Transurban's TSR is ranked at or above the 75th percentile, 100 per cent of the stapled securities will vest.
- If Transurban's TSR is ranked above the 50th percentile but below the 75th percentile, the percentage of stapled securities ("P") that will vest will be that calculated according to the following formula:
  - $P = 50 + 2 \times (R_{\text{Transurban}} - 50)$
  - Where:  $R_{\text{Transurban}}$  = The percentile rank of Transurban's TSR.
- If Transurban's TSR is ranked at or below the 50th percentile, none of the stapled securities will vest.

## Directors' report

### The allocation of ELP units was determined by the following:

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

- (i) The number of stapled securities an executive is entitled to is derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. These valuation methods take into account the fact that the loan will need to be repaid along with performance and other conditions. By dividing the remuneration value or number by this adjusted valuation, the number of stapled securities is derived;
- (ii) the stapled securities are acquired and transferred to each participant;
- (iii) the purchase price per stapled security is the average market price of stapled securities weighted by reference to volume over the week leading up to and including the date of commencement of the Plan; and
- (iv) the amount of the loan provided to a participant is equal to the purchase price per stapled security multiplied by the participant's stapled securities entitlement.

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

### Announced taxation changes impacting stapled securities

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

### Performance Rights Plan (PRP)

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

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

Stapled securities vest in the executive if:

- (a) the executive is employed by the Transurban Group for at least 3 years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide; and
- (b) the performance hurdles relevant to the offer are met.

Unless the Plan rules provide otherwise, no stapled securities will vest in the executive if the identified performance measures are not met. If an executive leaves the employ of the Transurban Group unvested securities will lapse.

No dividends or distributions are payable in respect of the stapled securities subject of the Plan during the vesting period.

| Name   | Number of securities granted |         | Number of securities vested |      | Number of securities exercised |      |
|--|------------------------------|---------|-----------------------------|------|--------------------------------|------|
|  | 2007                         | 2006    | 2007                        | 2006 | 2007                           | 2006 |
| <b>Directors of the Group</b>                      |                              |         |                             |      |                                |      |
| K Edwards  | 410,000                      | 312,500 | -                           | -    | -                              | -    |
| <b>Other key management personnel of the Group</b> |                              |         |                             |      |                                |      |
| C Brant  | 175,000                      | 118,000 | -                           | -    | -                              | -    |
| B Bourke   | 160,000                      | 102,000 | -                           | -    | -                              | -    |
| P O'Shea   | 130,000                      | 75,000  | -                           | -    | -                              | -    |
| G Mann   | 160,000                      | 112,500 | -                           | -    | -                              | -    |

### Executive Loan Plan for Executives Located Overseas

An Executive Long Term Incentive Cash Plan mirroring that of the Executive Loan Plan is used for participants outside Australia. The terms and conditions of each grant of units affecting remuneration in this or future reporting periods are as follows:

| Grant date      | Expiry date     | Grant price | Value per unit at date grant | Value per unit at reporting date | Date Payable    |
|-----------------|-----------------|-------------|------------------------------|----------------------------------|-----------------|
| 1 November 2005 | 1 November 2008 | \$6.47      | \$1.35                       | \$1.40                           | 1 November 2008 |
| 1 November 2006 | 1 November 2009 | \$7.28      | \$1.37                       | \$2.04                           | 1 November 2009 |

## Directors' report

### Performance hurdles

#### (1) 50 per cent of rights vest subject to Total Shareholder Return (TSR)—

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

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

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

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

- If Transurban's TSR is ranked at or below the 50th percentile, none of the stapled securities will vest.
- If Transurban's TSR is ranked at or above the 75th percentile, 100 per cent of the stapled securities under this measurement will vest.
- Linear vesting if Transurban's TSR is ranked between the 50th and 75th percentiles.

#### (2) 50 per cent of rights vest subject to an operational performance measure based on EBITDA growth.

- 50 per cent of rights under this measurement vest if there is 10 per cent compound EBITDA annual growth over the vesting period from the base year.
- 100 per cent of rights under this measurement vest if there is 15 per cent compound EBITDA annual growth over the vesting period from the base year.
- Linear vesting if ranking is between the two annual compound growth targets.

### Allocation of PRP Units

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

The number of stapled security rights an executive is entitled to, is derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. These valuation methods take into account performance and other conditions.

By dividing the remuneration value by this adjusted valuation, the number of stapled securities is derived.

### Overseas based executives

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

### Employee Security Ownership Plan (ESOP)

Following the Federal Governments announced taxation changes concerning stapled securities as previously noted, a review of the company's Employee Security Ownership Plan was undertaken, resulting in the implementation of two new Plans—the Investment Tax Exempt Plan and the Investment Tax Deferred Plan.

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

The Investment Tax Deferred Plan provides employees the opportunity to purchase securities, on a tax deferred basis using pre-tax salary. There is no cap on the amount of salary an employee may elect to contribute and the Group provides a matching contribution on a dollar for dollar basis to a maximum of three thousand dollars per annum. The previous Incentive Plan has been retained. Subject to Board approval and the performance of the Group, an allocation of securities at no cost to eligible permanent employees is made. In 2007 an allocation of 100 securities was made to 503 employees.

### (e) Additional information (not audited)

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The incentive component of executive remuneration is primarily determined by:

- financial performance relative to short-term profitability targets,
- business achievements through the achievement of Group key result areas (KRAs),
- project successes,
- total shareholder return relative to other companies in the ASX Industrials index, and
- individual performance as measured by the achievement of key performance indicators (KPIs) and the upholding of Group values

The Groups performance over the past financial year is best measured by the success achieved through its business development activities and associated growth in market capitalisation.

Transurban achieved effective control of the Sydney Roads Group ("SRG") on 11 April 2007. As a result of the acquisition Transurban holds investments in the Eastern Distributor (M1), Interlink Roads Limited (M5) and Statewide Roads Limited (M4 Motorway) in New South Wales. This acquisition provides Transurban with a significant presence in the Sydney market and the opportunity to maximise security holder value through forecast synergies which will be achieved across the network totalling \$8.0 million. Synergies realised to date total \$5.4 million.

In preparation for future international development Transurban International Limited (TIL) was formed on 3 January 2007 to create a more efficient vehicle for which investments in international assets can be made and allows for security holder distributions from these investments to be executed in a timely and efficient manner. TIL will own Transurban's investment in the Transurban DRIVE co investment vehicle which reached contractual close in August 2007.

These developments along with sustained growth in corner stone assets such as the Melbourne CityLink and the Hills M2 which achieved annual growth in revenue of 8.8 per cent and 16.9 per cent respectively have contributed to significant gains in market capitalisation increasing from \$5.7 billion on 1 July 2006 to \$8.6 billion at 30 June 2007.

Supporting the increased market capitalisation is the Group capacity to continue to grow its distributions through sustained cash generation and increased debt capacity. A distribution of 54.0 cents per security will be paid to security holders for the year ended 30 June 2007, representing an increase on the prior corresponding period of 8.0 per cent.

Transurban is currently ranked in the top 40 public companies listed on the ASX.



## Directors' report

### Cash bonuses and options

#### Cash bonuses

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

Cash bonuses aggregating \$3.8 million were incurred under the Business Generation Incentive Plan in relation to the acquisition of the Sydney Roads Group.

For each cash bonus paid to the directors and the 5 executives receiving the highest remuneration, the percentage of the available bonus that was paid in the financial year and the percentage that was forfeited because the person did not meet his or her performance criteria is set out below. No part of the cash bonuses are payable in future years.

| Name      | Cash Bonus |             |
|-----------|------------|-------------|
|           | Paid %     | Forfeited % |
| K Edwards | 100        | -           |
| C Brant   | 100        | -           |
| B Bourke  | 100        | -           |
| P O'Shea  | 100        | -           |
| G Mann    | 100        | -           |
| K Daley   | 100        | -           |
| M Kulper  | 100        | -           |

#### Options

No options on issue to the directors and the 5 executives receiving the highest remuneration vested in the current year and there are no remaining options on issue.

#### Long Term Incentive Units

Long term incentive units which were issued in September 2004 vested in September 2006 and were paid in November 2006.

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

| Name                   | A<br>Remuneration % | B<br>Value at grant date<br>\$ | C<br>Value at exercise date<br>\$ | D<br>Value at lapse date<br>\$ | E<br>Total of columns B-D<br>\$ |
|------------------------|---------------------|--------------------------------|-----------------------------------|--------------------------------|---------------------------------|
| K Edwards – ELTI       | -                   | -                              | 1,083,019                         | 327,621                        | 1,410,640                       |
| K Edwards – share plan | 35                  | 560,000                        | -                                 | -                              | 560,000                         |
| C Brant – ELTI         | -                   | -                              | 230,142                           | 69,619                         | 299,761                         |
| C Brant – share plan   | 40                  | 240,000                        | -                                 | -                              | 240,000                         |
| B Bourke – ELTI        | -                   | -                              | 216,604                           | 65,524                         | 282,128                         |
| B Bourke – share plan  | 40                  | 220,000                        | -                                 | -                              | 220,000                         |
| P O'Shea – ELTI        | -                   | -                              | 162,453                           | 49,143                         | 211,596                         |
| P O'Shea – share plan  | 40                  | 168,000                        | -                                 | -                              | 168,000                         |
| G Mann – share plan    | 40                  | 220,000                        | -                                 | -                              | 220,000                         |
| K Daley – ELTI         | -                   | -                              | 162,453                           | 49,143                         | 211,596                         |
| K Daley – share plan   | 30                  | 126,000                        | -                                 | -                              | 126,000                         |
| M Kulper – share plan  | 30                  | 135,000                        | -                                 | -                              | 135,000                         |

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

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

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

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

## Directors' report

### Securities under option

There are no unissued securities of the Transurban Group under option at the date of this report.

### Securities issued on the exercise of options

The following Transurban Stapled Securities were issued during the year ended 30 June 2007 on the exercise of options granted under the Transurban Group's Employee Option Plan. No further securities have been issued since that date. No amounts are unpaid on any of the securities.

#### Date options granted

|                 | Issue price<br>of securities | Number of<br>securities<br>issued |
|-----------------|------------------------------|-----------------------------------|
| 26 April 2001   | \$3.817                      | -                                 |
| 23 October 2001 | \$4.404                      | -                                 |
| 1 February 2002 | \$4.280                      | -                                 |
| 9 April 2002    | \$4.030                      | -                                 |
| 20 May 2002     | \$4.220                      | 76,283                            |

### Indemnification and insurance

The officers of the Group are indemnified against liability incurred by the person in their capacity as an officer unless the liability arises out of conduct on the part of the officer which involves a lack of good faith. The Group also indemnifies each person who is or has been an officer against liability for costs or expenses incurred by the person in his or her capacity as an officer in defending civil or criminal proceedings in which judgment is given in favour of the person or the person is acquitted or in connection with an application in which the Court grants relief to the person under the Corporations Act 2001.

Pursuant to this indemnification, the individual entities of the Group have paid premiums for an insurance policy for the benefit of directors, secretaries and executive officers and related bodies corporate of the Group, in the case of the Trusts within the Group the officers are indemnified out of the assets of the Trusts. In accordance with common practice, the insurance policies prohibit disclosure of the nature of the liability covered and the amount of the premium.

### Rounding off

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investment 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.

### Non-audit services

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

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the combined entity, acting as advocate for the combined entity or jointly sharing economic risk and rewards.

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

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## Directors' report

|  | Consolidated     |                  | Parent Entity    |                |
|--|------------------|------------------|------------------|----------------|
|  | 2007             | 2006             | 2007             | 2006           |
|  | \$               | \$               | \$               | \$             |
| <b>1. Assurance services</b>   |                  |                  |                  |                |
| Audit services   |                  |                  |                  |                |
| PricewaterhouseCoopers Australian firm:  |                  |                  |                  |                |
| Audit and review of financial reports and other audit work under the Corporations Act 2001.      | 1,013,000        | 689,850          | 77,000           | 37,500         |
| Fees paid to non-PricewaterhouseCoopers audit firms for the audit or review of financial reports | 75,000           | -                | -                | -              |
| <b>Total remuneration for audit services</b>   | <b>1,088,000</b> | <b>689,850</b>   | <b>77,000</b>    | <b>37,500</b>  |
| Other assurance services   |                  |                  |                  |                |
| PricewaterhouseCoopers Australian firm:  |                  |                  |                  |                |
| Due diligence  | 30,000           | 158,621          | -                | 158,621        |
| Compliance plan audit  | -                | 24,700           | -                | -              |
| Other assurance services including IFRS  | 293,200          | 329,335          | -                | 111,691        |
| Controls assistance  | -                | 163,000          | -                | -              |
| Fees paid to non-PricewaterhouseCoopers audit firms  | 713,685          | -                | -                | -              |
| <b>Total remuneration for other assurance services</b>   | <b>1,036,885</b> | <b>675,656</b>   | <b>-</b>         | <b>270,312</b> |
| <b>2. Taxation services</b>  |                  |                  |                  |                |
| PricewaterhouseCoopers Australian firm:  |                  |                  |                  |                |
| Tax compliance services, including review of income tax returns                                  | 158,900          | 104,735          | 2,958,592        | 104,735        |
| Tax consulting services  | 3,221,200        | 1,128,028        | 382,273          | -              |
| Indirect taxation services   | 602,837          | 434,714          | 591,837          | -              |
| Fees paid to non-PricewaterhouseCoopers audit firms  | 186,355          | -                | -                | -              |
| <b>Total remuneration for taxation services</b>  | <b>4,169,292</b> | <b>1,667,477</b> | <b>3,932,702</b> | <b>104,735</b> |

## Directors' report

### Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 34.

### Auditor

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



**David J Ryan A0**  
Chairman



**Kimberley Edwards**  
Managing Director

Metbourne  
21 August 2007

# FINANCIALS

## Directors' report

PRICEWATERHOUSECOOPERS 

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### Auditors' independence declaration

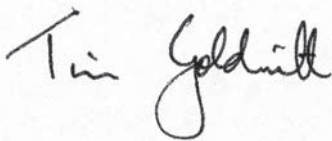
As lead auditor for the audit of the Transurban Group for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, the only contravention of:

- a) the auditors independence requirements of Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit is set out below.

On 13 July 2007, a non-audit service provider reported that he held an immaterial investment in Transurban Group that he received through compulsory acquisition of Sydney Roads Group. This staff member was immediately removed from providing services to Transurban Group and the investment was sold.

The matter was identified as part of our on going quality control system. All reasonable steps were undertaken to ensure that this matter was resolved as soon as possible. I report that all matters have been resolved, and in doing so do not believe this matter has impacted my objectivity and impartiality for the purpose of this audit.

This declaration is in respect of the Transurban Group and the entities it controlled during the year.



**Tim Goldsmith**  
Partner

Melbourne  
21 August 2007

Liability limited by a scheme approved under Professional Standards Legislation.

## Consolidated income statement for the year ended 30 June 2007

|   | Consolidated     |                  |
|---|------------------|------------------|
|   | 2007             | 2006             |
|   | \$'000           | \$'000           |
| <b>Revenue from continuing operations</b>   | <b>789,063</b>   | <b>690,408</b>   |
| Other income  | 38,050           | 4,410            |
| <b>Expenses from ordinary activities:</b>   |                  |                  |
| Operational costs   | (121,457)        | (105,291)        |
| Corporate costs   | (31,204)         | (28,979)         |
| Corporate and Community Relations   | (5,502)          | (6,278)          |
| Business Development  | (16,327)         | (9,033)          |
| Concession Fees   | (5,003)          | (24,078)         |
| Depreciation and amortisation expense   | (302,751)        | (258,065)        |
| Finance costs   | (424,330)        | (372,092)        |
| Share of net losses of associates and joint venture partnership accounted for using the equity method         | (25,482)         | (8,634)          |
| <b>Loss before income tax</b>   | <b>(104,943)</b> | <b>(117,632)</b> |
| Income tax (expense)/benefit  | (18,803)         | 56,732           |
| <b>Loss for the year from continuing operations</b>   | <b>(123,746)</b> | <b>(60,900)</b>  |
| <b>Loss for the year from discontinued operations after tax</b>   | <b>(28,438)</b>  | <b>-</b>         |
| <b>Loss for the year</b>  | <b>(152,184)</b> | <b>(60,900)</b>  |
| <b>Profit/(loss) is attributable to:</b>  |                  |                  |
| Equity holders of THL, THT & TL   | (151,236)        | (60,900)         |
| Equity holders of TIL (minority interest)   | (197)            | -                |
| Equity holders of M1 (minority interest)  | (888)            | -                |
| Equity holders of M4 (minority interest)  | 137              | -                |
|   | (152,184)        | (60,900)         |
| <b>Earnings per security for loss from continuing operations attributable to the ordinary equity holders:</b> | <b>Cents</b>     | <b>Cents</b>     |
| Basic earnings per Stapled Security   | (14.0)           | (7.6)            |
| Diluted earnings per Stapled Security   | (14.0)           | (7.6)            |
| <b>Earnings per security for loss attributable to the ordinary equity holders of the stapled group:</b>       | <b>Cents</b>     | <b>Cents</b>     |
| Basic earnings per Stapled Security   | (17.2)           | (7.6)            |
| Diluted earnings per Stapled Security   | (17.2)           | (7.6)            |

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

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## Consolidated balance sheet as at 30 June 2007

|   | Consolidated      |           |
|---|-------------------|-----------|
|   | 2007              | 2006      |
|   | \$'000            | \$'000    |
| <b>Current assets</b>   |                   |           |
| Cash and cash equivalents   | 449,255           | 323,110   |
| Trade and other receivables   | 171,877           | 41,560    |
|   | 621,132           | 364,670   |
| Assets of disposal group classified as held for sale  | 622,972           | -         |
| <b>Total current assets</b>   | <b>1,244,104</b>  | 364,670   |
| <b>Non-current assets</b>   |                   |           |
| Receivables   | 4,411             | 186       |
| Investments accounted for using the equity method   | 567,682           | 15,732    |
| Held-to-maturity investments  | 557,731           | 469,767   |
| Derivative financial instruments  | 113,410           | 21,926    |
| Available for sale financial assets   | 7,910             | -         |
| Property, plant and equipment   | 5,539,153         | 5,760,346 |
| Deferred tax assets   | 327,293           | 260,570   |
| Intangible assets   | 3,258,454         | 805,511   |
| <b>Total non-current assets</b>   | <b>10,376,044</b> | 7,334,038 |
| <b>Total assets</b>   | <b>11,620,148</b> | 7,698,708 |
| <b>Current liabilities</b>  |                   |           |
| Trade and other payables  | 184,725           | 78,625    |
| Borrowings  | 383,300           | 265,142   |
| Non-Interest bearing liabilities  | 437,954           | 39,205    |
| Provisions  | 344,201           | 229,115   |
| Current tax liabilities   | 4,485             | -         |
|   | 1,354,665         | 612,087   |
| Liabilities directly associated with assets of a disposal group classified as held for sale | 480,457           | -         |
| <b>Total current liabilities</b>  | <b>1,835,122</b>  | 612,087   |
| <b>Non-current liabilities</b>  |                   |           |
| Borrowings  | 3,565,414         | 3,550,294 |
| Deferred tax liabilities  | 1,775,468         | 784,601   |
| Non-Interest bearing liabilities  | 222,167           | 213,477   |
| Provisions  | 1,752             | 364       |
| Derivative financial instruments  | 203,373           | 81,075    |
| <b>Total Non-Current Liabilities</b>  | <b>5,768,174</b>  | 4,629,811 |
| <b>Total liabilities</b>  | <b>7,603,296</b>  | 5,241,898 |
| <b>Net assets</b>   | <b>4,016,852</b>  | 2,456,810 |

|   | Consolidated     |             |
|---|------------------|-------------|
|   | 2007             | 2006        |
|   | \$'000           | \$'000      |
| <b>Equity</b>                             |                  |             |
| Equity holders of THL, THT & TL           |                  |             |
| Contributed equity                        | 6,078,487        | 4,277,736   |
| Reserves                                  | (18,830)         | (53,087)    |
| Accumulated losses                        | (2,434,808)      | (1,767,839) |
|   | <b>3,624,849</b> | 2,456,810   |
| Equity holders of TIL (minority interest) | (197)            | -           |
| Stapled security holders interest in the  |                  |             |
| Transurban Group                          | 3,624,652        | 2,456,810   |
| Equity holders of M1 (minority interest)  | 343,940          | -           |
| Equity holders of M4 (minority interest)  | 48,260           | -           |
| <b>Total equity</b>                       | <b>4,016,852</b> | 2,456,810   |

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



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## Consolidated statement of changes in equity for the year ended 30 June 2007

|   | Consolidated     |           |
|---|------------------|-----------|
|   | 2007             | 2006      |
|   | \$'000           | \$'000    |
| <b>Total equity at the beginning of the financial year</b>                  | <b>2,456,810</b> | 2,805,047 |
| Adjustment on adoption of AASB 132 and AASB 139, net of tax:                |                  |           |
| Retained Profits  | -                | 16,840    |
| Reserves  | -                | (40,074)  |
| <b>Restated total equity at the beginning of the financial year</b>         | <b>2,456,810</b> | 2,781,813 |
| Exchange differences on translation of foreign operations                   | (11,181)         | -         |
| Changes in fair value of cash flow hedges, net of tax                       | 42,528           | (14,201)  |
| <b>Net income recognised directly in equity</b>                             | <b>31,347</b>    | (14,201)  |
| <b>Loss for the year</b>  | <b>(152,184)</b> | (60,900)  |
| <b>Total recognised income and expense for the year</b>                     | <b>(120,837)</b> | (75,101)  |
| Transactions with equity holders in their capacity as equity holders:       |                  |           |
| Exercise of employee security options                                       | 325              | 11,465    |
| Changes in fair value of share-based payments                               | 2,910            | 1,188     |
| Treasury securities   | (13,360)         | (10,227)  |
| CARS conversion, net of transaction costs                                   | 362,071          | 56,267    |
| Issue on acquisition of Sydney Roads Group net of transaction costs         | 1,221,959        | -         |
| Distribution reinvestment plan  | 229,756          | 93,003    |
| Distributions provided for or paid  | (515,733)        | (401,598) |
| Minority interest on acquisition of subsidiaries                            | 414,237          | -         |
| Distributions provided for or paid to minority interests in subsidiaries    | (21,286)         | -         |
|   | 1,680,879        | (249,902) |
| <b>Total equity at the end of the financial year</b>                        | <b>4,016,852</b> | 2,456,810 |
| <b>Total recognised income and expense for the year is attributable to:</b> |                  |           |
| Equity holders of the Transurban Group                                      | (119,889)        | 75,101    |
| Minority interest   | (948)            | -         |
|   | <b>(120,837)</b> | (75,101)  |

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

## Consolidated cash flow statement for the year ended 30 June 2007

|   | Consolidated       |                    |
|---|--------------------|--------------------|
|   | 2007               | 2006               |
|   | \$'000             | \$'000             |
| <b>Cash flows from operating activities</b>                             |                    |                    |
| Receipts from customers (inclusive of GST)                              | 577,851            | 485,874            |
| Payments to suppliers (inclusive of GST)                                | (262,200)          | (207,766)          |
| Interest received   | 195,238            | 186,189            |
| Other revenue   | 18,261             | 6,256              |
| Income taxes paid   | (5,321)            | (9,688)            |
| Interest paid   | (365,685)          | (288,643)          |
| <b>Net cash inflow from operating activities</b>                        | <b>158,144</b>     | <b>172,222</b>     |
| <b>Cash flows from investing activities</b>                             |                    |                    |
| Payment for purchase of subsidiaries, net of cash acquired              | (11,698)           | (98,412)           |
| Payments for property, plant and equipment                              | (51,766)           | (67,953)           |
| Payments for intangibles  | (20,883)           | (673,217)          |
| Payments for Tullamarine/Calder Freeway Upgrade                         | -                  | (161,985)          |
| Payments for available for sale financial assets                        | (7,832)            | -                  |
| Cash advances   | (962)              | -                  |
| Dividends received from associate                                       | 7,013              | -                  |
| Repayment of loans by related parties                                   | -                  | 691                |
| <b>Net cash outflow from investing activities</b>                       | <b>(86,128)</b>    | <b>(1,000,876)</b> |
| <b>Cash flows from financing activities</b>                             |                    |                    |
| Proceeds from issue of stapled securities                               | 327                | 11,468             |
| Proceeds from sale of treasury securities                               | 1,684              | -                  |
| Increase in cash collateral   | 42,358             | 38,507             |
| Proceeds from borrowings  | 1,209,021          | 2,810,451          |
| Payments for establishing borrowing facilities                          | (2,610)            | (22,708)           |
| Payments for treasury securities  | (15,053)           | (10,228)           |
| Repayment of borrowings   | (886,559)          | (1,788,000)        |
| Repayment of infrastructure facilities                                  | (1,249,000)        | -                  |
| Repayment of loans to related parties                                   | (500)              | -                  |
| Preference distributions  | (1,181)            | -                  |
| Distributions paid to Groups security holders                           | (197,408)          | (243,240)          |
| Distributions paid to minority interests in subsidiaries                | (8,336)            | -                  |
| <b>Net cash (outflow)/inflow from financing activities</b>              | <b>(1,107,257)</b> | <b>796,250</b>     |
| <b>Net decrease in cash at bank and cash collateral</b>                 | <b>(1,035,241)</b> | <b>(32,404)</b>    |
| Cash at bank and cash collateral at the beginning of the financial year | 1,995,692          | 2,029,636          |
| Effects of exchange rate changes on cash and cash equivalents           | (5,963)            | (1,540)            |
| Cash at bank and cash collateral at the end of the financial year       | 954,488            | 1,995,692          |
| Less cash collateral  | (465,940)          | (1,672,582)        |
| <b>Cash at bank at the end of the financial year</b>                    | <b>488,548</b>     | <b>323,110</b>     |

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

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## Notes to the financial statements for the year ended 30 June 2007

### Principles of Consolidation

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, Transurban Holdings Limited (THL) has been identified as the Parent Entity in relation to the pre date of transition stapling with Transurban Holding Trust (THT) and the post date of transition stapling with Transurban International Limited (TIL). In accordance with UIG 1013 the results and equity of THL and THT have been combined in the financial statements. In accordance with AASB Interpretation 1002 however the results and equity, not directly owned by THL, of TIL have been treated and disclosed as minority interest. Whilst the results and equity of TIL are disclosed as minority interest, the stapled security holders of THL and THT are the same as the stapled security holders of TIL.

The comparative figures in the concise income statement, concise statement of changes in equity and concise cash flow statement comprises the results, changes in equity and cash flows of THL and its subsidiaries, THT and its subsidiaries and Transurban Limited (TL) and its subsidiaries.

The current period figures in the concise income statement, concise statement of changes in equity and concise cash flow statement reflect the combined results, changes in equity and cash flows of THL and THT for the full financial year ended 30 June 2007 and TIL from the date of stapling (3 January 2007) to 30 June 2007 and Transurban Limited (and its subsidiaries) up to the date of de-stapling (3 January 2007).

The prior period balance sheets reflect the combined position of THL, THT and TL (including the subsidiaries they controlled). The current period balance sheets reflect the combined position of THL, THT and TIL (including the subsidiaries they controlled).

The financial statements have been aggregated in recognition of the fact that the securities issued by the parent entities are stapled into parcels during the year ended 30 June 2007. 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 are able to be traded separately.

The accounting policies adopted have been consistently applied to all years presented unless otherwise stated.

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 financial reports. Amounts in the concise financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

### 1. Presentation currency

The presentation currency used in this concise financial report is Australian dollars.

### 2. Segment information

The Group's primary business segment for the year ending 30 June 2007 was the operation of the toll roads as noted below, and the investigation of possible investment opportunities in the segment. The secondary reporting segment of the Group is by geographical region. The regions are as follows:

#### Victoria

- CityLink

#### New South Wales

- Hills M2 Motorway
- 47.5 per cent interest in the Westlink M7 Motorway
- 71.35 per cent interest in the M1 Motorway Eastern Distributor
- 50.61 per cent interest in the M4 Motorway
- 50 per cent interest in the M5 South-West Motorway

#### US

- Pocahontas Parkway

Geographical segment information is provided in the table below and reflects the Transurban Group's activities in relation to geographically unique locations.

|                 | Segment Revenues |                | Segment Assets    |                  | Acquisitions of PP&E, intangibles, and other non-current segment assets |                |
|-----------------|------------------|----------------|-------------------|------------------|---|----------------|
|                 | 2007             | 2006           | 2007              | 2006             | 2007  | 2006           |
|                 | \$'000           | \$'000         | \$'000            | \$'000           | \$'000  | \$'000         |
| Vic - Australia | 345,519          | 310,126        | 4,387,609         | 3,868,952        | 373,370   | 52,179         |
| NSW - Australia | 158,556          | 125,669        | 6,580,657         | 3,109,967        | 2,713,209   | 41,042         |
| US              | 17,617           | -              | 651,882           | 717,226          | 10,501  | 667,764        |
| Other           | -                | -              | -                 | 2,563            | 909   | 3,339          |
|                 | <b>521,692</b>   | <b>435,795</b> | <b>11,620,148</b> | <b>7,698,708</b> | <b>3,097,989</b>  | <b>764,324</b> |

### 3. Revenue

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2007           | 2006           |
|   | \$'000         | \$'000         |
| Services revenue from continuing operations   | 789,063        | 690,408        |
| Services revenue from discontinued operations | 19,819         | -              |
|   | <b>808,882</b> | <b>690,408</b> |

### 4. Discontinued Operations

#### Description

On 28 February 2007 the Transurban Group began an active program to sell the Pocahontas Parkway ("Pocahontas") in Richmond, Virginia to a privately owned investment vehicle in which Transurban will be a stakeholder. On 27 June 2007 Transurban DRiVE Holdings LLC ("DRiVE") was incorporated as a wholly owned subsidiary of the Transurban Group with the view of immediate partial resale as the investment vehicle and owner of Pocahontas.

As at 30 June 2007 both Pocahontas and DRiVE are subsidiaries of the Transurban Group and are reported in this financial report as disposal groups held for sale and discontinued operations.

#### Pocahontas

Financial performance and cash flow information

|   | Consolidated    |          |
|---|-----------------|----------|
|   | 2007            | 2006     |
|   | \$'000          | \$'000   |
| Revenue (note 3)  | 19,819          | -        |
| Other income  | 282             | -        |
| Depreciation  | (8,824)         | -        |
| Finance costs   | (32,797)        | -        |
| Other expenses  | (5,419)         | -        |
| <b>Loss before income tax</b>   | <b>(26,939)</b> | <b>-</b> |
| Income tax expense  | (1,499)         | -        |
| <b>Loss from discontinued operations</b>                              | <b>(28,438)</b> | <b>-</b> |
| Net cash (outflow) from operating activities                          | (23,567)        | -        |
| Net cash (outflow) from investing activities                          | (672)           | -        |
| Net cash inflow from financing activities                             | 17,752          | -        |
| <b>Net (decrease) in cash generated by the discontinued operation</b> | <b>(6,487)</b>  | <b>-</b> |

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## Notes to the financial statements for the year ended 30 June 2007

|  | Consolidated     |          |
|--|------------------|----------|
|  | 2007             | 2006     |
|  | \$'000           | \$'000   |
| <b>The carrying amounts of assets and liabilities of Pocahontas are:</b> |                  |          |
| Cash   | 39,293           | -        |
| Trade receivables  | 450              | -        |
| Property, plant and equipment  | 590              | -        |
| Intangible assets  | 573,089          | -        |
| Deferred tax assets  | 9,550            | -        |
| <b>Total assets</b>  | <b>622,972</b>   | <b>-</b> |
| Other creditors  | (537)            | -        |
| Borrowings   | (465,764)        | -        |
| Financial derivatives  | (4,447)          | -        |
| Deferred tax liabilities   | (9,709)          | -        |
| <b>Total liabilities</b>   | <b>(480,457)</b> | <b>-</b> |
| <b>Net assets</b>  | <b>142,515</b>   | <b>-</b> |

### 5. Distributions

The distributions set out below represent distributions to stapled securities holders.

|  | 2007           | 2006           |
|--|----------------|----------------|
|  | \$'000         | \$'000         |
| <b>Distributions proposed</b>  |                |                |
| Final distribution payable and recognised as a liability:<br>27.5 cents (2006 - 25.5 cents) per fully paid stapled security payable 27 August 2007                             | 294,744        | 207,422        |
| <b>Distributions paid during the year</b>  |                |                |
| Final distribution for 2006 financial year of 25.5 cents<br>(2005 - 18.0 cents) per fully paid stapled security paid 25 August 2006  | 207,422        | 142,443        |
| Interim distribution for 2007 financial year of 26.5 cents<br>(2006 - 24.5 cents) per fully paid stapled security paid 28 February 2007  | 220,989        | 194,188        |
| <b>Total distributions paid</b>  | <b>428,411</b> | <b>336,631</b> |
| Distributions paid in cash or satisfied by the issue of<br>Stapled Securities under the distribution reinvestment<br>plan during the years ended 30 June 2007 and 30 June 2006 |                |                |
| Paid in cash   | 197,408        | 243,240        |
| Executive loans - repayments   | 1,230          | 352            |
| Satisfied by issue of Stapled Securities   | 229,756        | 93,007         |
| Funds available for future distribution reinvestment plans   | 17             | 32             |
| <b>Total distributions paid</b>  | <b>428,411</b> | <b>336,631</b> |

## 6. Earnings per stapled security

|  | Consolidated  |              |
|--|---------------|--------------|
|  | 2007          | 2006         |
|  | Cents         | Cents        |
| <b>(a) Basic earnings per security</b>   |               |              |
| - Profit from continuing operations attributable to the ordinary equity holders of the Group | (14.0)        | (7.6)        |
| - Profit from discontinued operations  | (3.2)         | -            |
| <b>- Profit attributable to ordinary equity holders</b>                                      | <b>(17.2)</b> | <b>(7.6)</b> |

### (b) Diluted earnings per security

|  |               |              |
|--|---------------|--------------|
| - Profit from continuing operations attributable to the ordinary equity holders of the Group | (14.0)        | (7.6)        |
| - Profit from discontinued operations  | (3.2)         | -            |
| <b>- Profit attributable to ordinary equity holders</b>                                      | <b>(17.2)</b> | <b>(7.6)</b> |

|   | Consolidated |          |
|---|--------------|----------|
|   | 2007         | 2006     |
|   | \$'000       | \$'000   |
| <b>(c) Reconciliations of earnings used in calculating earnings per security</b>  |              |          |
| Basic earnings per security   |              |          |
| - Profit from continuing operations   | (123,746)    | (60,900) |
| - Profit from continuing operations attributable to minority interests  | (948)        | -        |
| - Profit from continuing operations attributable to ordinary equity holders used in calculating basic earnings per security | (122,798)    | -        |
| - Profit from discontinuing operations  | (28,438)     | -        |
| - Profit attributable to ordinary equity holders used in calculating basic earnings per security                            | (151,236)    | (60,900) |
| Diluted earnings per security   |              |          |
| - Profit attributable to ordinary equity holders used in calculating diluted earnings per security                          | (151,236)    | (60,900) |

# FINANCIALS

## Notes to the financial statements for the year ended 30 June 2007

|   | Consolidated |             |
|---|--------------|-------------|
|   | 2007         | 2006        |
|   | Number       | Number      |
| <b>(d) Weighted average number of securities used as the denominator</b>  |              |             |
| Weighted average number of Stapled Securities used as the denominator in calculating basic earnings per stapled security                                    | 880,884,193  | 799,431,057 |
| Adjustments for calculation of diluted earnings per security:   |              |             |
| Options   | -            | 869,176     |
| Weighted average number of Stapled Securities and potential Stapled Securities used as the denominator in calculating diluted earnings per stapled security | 880,884,193  | 800,300,233 |

### (e) Earnings per stapled security

As the stapling is a business combination by contract alone, the total ownership interest in Transurban International Limited is presented as a minority interest in the combined financial statements of Transurban Holdings Limited.

By virtue of the stapling arrangement, Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited have common equity holders with the effect that total equity belongs to the common equity holders. Therefore an alternative measure of earnings per stapled security has been calculated as follows which includes minority interest of Transurban International Limited.

|   | Consolidated |       |
|---|--------------|-------|
|   | 2007         | 2006  |
|   | Cents        | Cents |
| (i) Basic earnings per security   |              |       |
| - Profit from continuing operations attributable to the ordinary common equity holders of the Group   | (14.0)       | (7.6) |
| - Profit from discontinued operations attributable to the ordinary common equity holders of the Group | (3.2)        | -     |
| Profit attributable to ordinary common equity holders   | (17.2)       | (7.6) |
| (ii) Diluted earnings per security  |              |       |
| - Profit from continuing operations attributable to the ordinary common equity holders of the Group   | (14.0)       | (7.6) |
| - Profit from discontinued operations attributable to the ordinary common equity holders of the Group | (3.2)        | -     |
| Profit attributable to ordinary equity holders  | (17.2)       | (7.6) |

The earnings used in the diluted earnings per unit calculation are exclusive of any CARS related adjustments as they are antidilutive.

### Information concerning the classification of securities

#### (i) Stapled Securities

All Stapled Securities are fully paid. They carry the right to participate in distributions and have been included in the determination of basic and diluted earnings per stapled security.

#### (ii) Options

Options granted to executives under the Transurban Executive Option Plan are considered to be potential stapled securities and have been included in the determination of diluted earnings per stapled security. The options have not been included in the determination of basic earnings per staple security.

## 7. Events occurring after the balance date

### (a) Sale of Pocahontas Parkway group of assets and liabilities to Transurban DRIVE Holdings LLC

On 28 February 2007 a controlled entity announced its intention to sell the Pocahontas Parkway (Pocahontas) group of assets and liabilities, in Richmond, Virginia, US, to Transurban DRIVE Holdings LLC (DRIVE Holdings). On 27 June 2007, DRIVE Holdings was incorporated as a wholly owned subsidiary of the Group with a view to immediate resale to parties external to the Transurban Group, after acquisition of Pocahontas by DRIVE Holdings. At balance date, the sale of Pocahontas and the sale of DRIVE Holdings had not occurred.

Pocahontas and DRIVE Holdings have been classified as disposal groups held for sale and reported as discontinued operations.

On 21 August 2007, Transurban and Capital Partners reached agreement to co-invest in the US privately financed toll road market through DRIVE. Transurban's initial interest will be 75 per cent with Capital Partners taking 25 per cent. As a result of this transaction the Pocahontas Parkway will be sold into Transurban DRIVE Holdings LLC for US\$236.0 million

### (b) Transportation Infrastructure Finance and Innovations ACT loan for Richmond Airport Connector (Virginia, US)

On 19 July 2007, Transurban signed an agreement with the United States Federal Highway Administration (FHWA) for a United States federal government loan to support the funding for the construction of a direct link between the Richmond International Airport and the Pocahontas Parkway.

Under the agreement, FHWA will provide Transurban with a USD\$150 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. The loan will assist Transurban with construction of the Richmond Airport Connector and refinance a portion of existing project debt.

On 20 August 2007, Transurban received US\$97.8million to allow for refinance of existing debt.

### (c) Strategic investment in the ConnectEast Group

On 7 August 2007, Transurban announced that it has an economic interest in 6.28 per cent of the ConnectEast Group. The economic interest is held via cash-settled equity swaps (4.36 per cent) and a direct holding (1.92 per cent).

Transurban's total economic interest exceeded 5.0 per cent on 3 August 2007 after an acquisition of ConnectEast securities on market.

The investment is a strategic stake and Transurban has no current intention of making a takeover offer for the ConnectEast Group.

### (d) Refinancing of working capital facilities

Transurban raised \$600 million in the bank debt market in August 2007. Funds raised were used to refinance short term Working Capital Facilities including the Securitisation Facilities associated with the M1 and M5.



# FINANCIALS

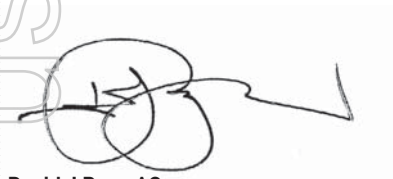
## Directors' declaration

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2007 as set out on pages 35 to 45 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The concise financial report is an extract from the full financial report for the year ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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



**David J Ryan A0**  
Chairman



**Kimberley Edwards**  
Managing Director

Melbourne  
21 August 2007

# Independent audit report to the members



PricewaterhouseCoopers  
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## Independent audit report to the members of Transurban Holdings Limited

### Audit opinion

In our opinion, the concise financial report of Transurban Holdings Limited for the year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

### Scope

#### The concise financial report and directors' responsibility

The concise financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the financial statements, and the directors' declaration for Transurban Holdings Limited (the Company) for the year ended 30 June 2007.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

#### Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We also performed an independent audit of the full financial report of the company for the financial year ended 30 June 2007. Our audit report on the full financial report was signed on 21 August 2007, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

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# FINANCIALS

## Independent audit report to the members

**PRICEWATERHOUSECOOPERS** 

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, and other disclosures in the concise financial report which were not directly derived from the full financial report.

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

*PricewaterhouseCoopers*  
PricewaterhouseCoopers

*T. Goldsmith*  
Tim Goldsmith  
Partner

Melbourne  
21 August 2007

## Security holder information as at 31 August 2007

### Shareholder information

The security holder information set out below was applicable as at 31 August 2007.

#### A. Distribution of stapled securities

1. The number of holders of stapled securities, which comprise one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holding Trust, was 89,428.
2. The voting rights are one vote per stapled security.
3. At 31 August 2007 the percentage of the total holdings held by or on behalf of the twenty largest holders of these securities was 64.73 per cent.
4. The distribution of holders was as follows:

| Security Grouping  | Number of Holders | Stapled securities held | %          |
|--------------------|-------------------|-------------------------|------------|
| 1 - 1,000          | 32,555            | 13,617,471              | 1.26       |
| 1,001 - 5,000      | 42,944            | 106,498,331             | 9.84       |
| 5,001 - 10,000     | 9,098             | 64,799,197              | 5.98       |
| 10,001 - 100,000   | 4,567             | 95,263,835              | 8.79       |
| 100,001 - and over | 264               | 803,025,169             | 74.13      |
| <b>Total</b>       | <b>89,428</b>     | <b>1,083,204,003</b>    | <b>100</b> |

There were 3,951 holders of less than a marketable parcel of stapled securities.

5. Substantial security holder's as at 31 August 2007 are as follows:

| Name                                   | Number of Stapled Securities | % of Total |
|--|------------------------------|------------|
| Ontario Teachers' Pension Plan Board   | 101,776,782                  | 9.40       |
| Capital Partners Pty Ltd               | 63,714,753                   | 5.88       |
| Victorian Funds Management Corporation | 57,101,640                   | 5.27       |

# FINANCIALS

## Security holder information as at 31 August 2007

### B. Twenty largest holders of stapled securities

|  | Number of<br>Stapled Securities Held | % of Issued<br>Stapled Securities |
|--|--------------------------------------|-----------------------------------|
| HSBC Custody Nominees (Australia) Limited        | 217,623,320                          | 20.09                             |
| National Nominees Limited                        | 185,501,570                          | 17.13                             |
| JP Morgan Nominees Australia Limited             | 60,347,948                           | 5.57                              |
| ANZ Nominees Limited                             | 54,318,755                           | 5.01                              |
| Citicorp Nominees Pty Limited                    | 42,821,178                           | 3.95                              |
| Queensland Investment Corporation                | 25,634,381                           | 2.37                              |
| RBC Dexia Investor Services Australia Nominees   | 24,089,232                           | 2.22                              |
| Citicorp Nominees Pty Limited                    | 18,084,227                           | 1.67                              |
| UBS Wealth Management Australia Nominees Pty Ltd | 16,752,320                           | 1.55                              |
| Australian Foundation Investment Company Limited | 8,792,402                            | 0.81                              |
| ANZ Nominees Limited                             | 8,191,211                            | 0.76                              |
| Cogent Nominees Pty Limited                      | 7,964,424                            | 0.74                              |
| Citicorp Nominees Pty Limited                    | 6,587,602                            | 0.61                              |
| AMP Life Limited                                 | 4,598,370                            | 0.42                              |
| Citicorp Nominees Pty Limited                    | 4,266,983                            | 0.39                              |
| RBC Dexia Investor Services Australia Nominees   | 3,859,428                            | 0.36                              |
| UBS Nominees Pty Ltd                             | 3,000,000                            | 0.28                              |
| UBS Nominees Pty Ltd                             | 2,945,756                            | 0.27                              |
| Citicorp Nominees Pty Limited                    | 2,911,717                            | 0.27                              |
| Questor Financial Services Limited               | 2,856,334                            | 0.26                              |
| <b>Total</b>                                     | <b>701,147,158</b>                   | <b>64.73</b>                      |

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# FINANCIALS

Transurban Holding Trust

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## Directors' report

### Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Transurban Holding Trust and its subsidiaries as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. You can access both the full financial report and the concise report via the internet at our Investor Information on our website: [www.transurban.com](http://www.transurban.com). Alternatively, you can call 1300 360 146 (free call) and a copy will be forwarded to you.

### Directors' report

The directors of Transurban Infrastructure Management Limited, 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") at the end of, and during, the year ended 30 June 2007.

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.

With the exception of the changes noted below, the following persons held office as 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<sup>(1)</sup>  
Laurence G Cox AO<sup>(2)</sup>  
Peter C Byers <sup>(3)</sup>  
Jeremy G A Davis  
Geoffrey O Cosgriff  
Susan M Oliver  
Christopher J S Renwick AM

#### Executive directors

Kimberley Edwards

- (1) David J Ryan was elected Chairman on 28 February 2007, following Mr. Cox's resignation.
- (2) Laurence G Cox was a non-executive director from the beginning of the financial year until his resignation on 28 February 2007.
- (3) Peter C Byers was a non-executive director from the beginning of the financial year until his retirement on 23 October 2006.

### Principal activities and operations

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 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.

The only significant change in the nature of the activities of the Group was the acquisition of Sydney Roads Group.

## Directors' report

### Results

The performance of the consolidated entity, as represented by the results of its operations, was as follows:

|                                    | 2007            | 2006    |
|------------------------------------|-----------------|---------|
|                                    | \$'000          | \$'000  |
| Revenue from continuing operations | <b>430,069</b>  | 359,202 |
| (Loss)/profit for the year         | <b>(22,652)</b> | 60,428  |

### Distributions

|  | Parent Entity |        |
|--|---------------|--------|
|  | 2007          | 2006   |
|  | \$'000        | \$'000 |

#### Distributions proposed

Final distribution payable and recognised as a liability:

|   |                |         |
|---|----------------|---------|
| 27.5 cents (2006 - 25.5 cents) per fully paid stapled security payable 27 August 2007 | <b>294,744</b> | 207,422 |
|---|----------------|---------|

#### Distributions paid during the year

Final distribution for 2006 financial year of 25.5 cents

|   |                |         |
|---|----------------|---------|
| (2005 - 18.0 cents) per fully paid Stapled Security paid 25 August 2006 | <b>207,422</b> | 142,443 |
|---|----------------|---------|

Interim distribution for 2007 financial year of 26.5 cents

|   |                |         |
|---|----------------|---------|
| (2006 - 24.5 cents) per fully paid Stapled Security paid 28 February 2007 | <b>220,989</b> | 194,188 |
|---|----------------|---------|

#### Total distributions paid

|  |                |         |
|--|----------------|---------|
|  | <b>428,411</b> | 336,631 |
|--|----------------|---------|

Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2007 and 30 June 2006

|              |                |         |
|--------------|----------------|---------|
| Paid in cash | <b>197,408</b> | 243,240 |
|--------------|----------------|---------|

|                              |              |     |
|------------------------------|--------------|-----|
| Executive loans - repayments | <b>1,228</b> | 352 |
|------------------------------|--------------|-----|

|   |                |        |
|---|----------------|--------|
| Satisfied by issue of Stapled Securities <sup>(1)</sup> | <b>229,758</b> | 93,007 |
|---|----------------|--------|

|   |           |    |
|---|-----------|----|
| Distributions waiting to be applied to future DRP | <b>17</b> | 32 |
|---|-----------|----|

|                          |                |         |
|--------------------------|----------------|---------|
| Total distributions paid | <b>428,411</b> | 336,631 |
|--------------------------|----------------|---------|

(1) The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust (\$219.6 million) and Transurban Holdings Limited (\$10.2 million).

## Directors' report

### Review of operations

#### (a) Term Loan Notes (TLN)

During the period, the consolidated Trust earned interest of \$61.1 million on TLN acquired to fund Transurban's contribution to the Westlink Motorway Partnership (previously known as Construction Phase Loan Notes). The TLN accrue interest at 11.93 per cent, paid quarterly, with any unpaid interest capitalising into additional TLN.

Due to Westlink's funding arrangements, interest was not expected to be paid within the first 12 months of operations. As a result, the entire interest earned was capitalised into additional notes with a principal amount equal to the unpaid interest.

#### (b) Convertible Adjusting Rate Securities (CARS)

During the period, all remaining CARS converted to Transurban triple stapled securities (Transurban Securities). The conversion dates were 2 January 2007 and 14 April 2007, with a pro-rated distribution for the period 1 January 2007 to 16 April 2007 paid on 16 May 2007. Additionally, a distribution for the period 1 July 2006 to 31 December 2006 was paid on 31 January 2007. Both distributions were paid at the fixed rate of 7.0 per cent per annum and were 100.0 per cent tax deferred.

#### (c) Westlink M7

The Trust increased its equity interest from 45 per cent to 47.5 per cent in the Westlink M7 project on 29 September 2006.

Transurban and Macquarie Infrastructure Group have pre-emptive rights over the remaining 5 per cent held by Leighton Holdings Limited.

Transurban's role in the Westlink project involves:

- A 47.5 per cent equity stake in the road's owner, Westlink Motorway
- Supply of the tolling system, and
- Provision of tolling and customer management services.

### The table below sets out the conversions of CARS to Transurban Securities for the year ended 30 June 2007

|  | Units on issue | Conversion factor | Stapled Securities issued '000 |
|--|----------------|-------------------|--------------------------------|
| 30 June 2006   | 3,737,336      |                   |                                |
| 31 December 2006, stapled securities were issued on 2 January 2007 | (18,324)       | 17.4966           | 321                            |
| 2 January 2007, stapled securities were issued on 2 January 2007   | (1,859,007)    | 17.4966           | 32,523                         |
| 14 April 2007, stapled securities were issued on 14 April 2007     | (1,860,005)    | 17.4966           | 32,541                         |
| 30 June 2007   | -              |                   | 65,385                         |

### Distributions paid to holders of Convertible Adjusting Rate Securities (CARS) made during the year consisted of:

|   | \$ per security | \$'000 |
|---|-----------------|--------|
| Distribution for the period 1 January 2006 to 30 June 2006 at a fixed rate of 7.0 per cent per annum paid 31 July 2006.     | 3.4712          | 13,924 |
| Distribution for the period 1 July 2006 to 31 December 2006 at a fixed rate of 7.0 per cent per annum paid 31 January 2007. | 3.5288          | 13,188 |
| Distribution for the period 1 January 2007 to 16 April 2007 at a fixed rate of 7.0 per cent per annum paid 16 May 2007.     | 2.0329          | 7,560  |

Of the payment of \$7,560,382 made on 16 May 2007, \$3,779,175 was paid to Transurban Holding Trust ("THT"), as THT acquired the CARS as part of the conversion of CARS to Transurban Securities. This payment has been fully eliminated on consolidation.

Westlink M7 is a 40km motorway in Western Sydney which links the M2 at Baulkham Hills, the M4 at Eastern Creek and the M5 at Prestons, and bypasses 48 sets of traffic lights.

#### (d) Sydney Roads Group

Transurban achieved effective control of the Sydney Roads Group (SRG) on 11 April 2007. As a result of the acquisition Transurban holds investments in the Eastern Distributor (M1), Interlink Roads Limited (M5) and Statewide Roads Limited (M4 Motorway) in New South Wales.

##### i) M1 Eastern Distributor – Airport Motorway Limited

The Eastern Distribution (ED) is a 6 kilometre motorway linking the Sydney Central Business District with the Airport and connects directly with the Cross City Tunnel, Sydney Harbour Tunnel and the Sydney Harbour Bridge. It features a 1.7 kilometre tunnel running from Woolloomooloo to Surrey Hills. The ED tolls all northbound traffic, with toll plazas at Woolloomooloo and the William Street exit.

Transaction volume for the year ended 30 June 2007 was 16.6 million, representing a 2.8 per cent increase on the prior year. Annual average daily traffic (AADT) for the quarter ended 30 June 2007 was 46,076 transactions (51,824 for weekdays).

Toll revenue (net of GST) for the year ended 30 June 2007 was \$69.9 million, a 5.7 per cent increase over the previous year.

##### ii) M4 – Statewide Roads Limited

The M4 motorway is a 50 kilometre road which extends from Concord / North Strathfield to Lapstone in the west of Sydney. Statewide Roads Ltd ("SWR") operates and maintains 2 sections of the Motorway being a 2.5 kilometre section between Silverwater Road and James Ruse Drive at Auburn and a 10.0 kilometre section between May's Hill and Prospect. SWR operates and maintains these sections in accordance with a concession arrangement with the NSW Roads and Traffic Authority which expires in February 2010. The remainder of the M4 is operated by the RTA.

## Directors' report

SWR also has a separate concession for a service centre which is located between the Westlink M7/M4 Light Horse interchange and Reservoir Road. This concession is in place until 2017.

Transaction volume for the year ended 30 June 2007 was 39.1 million, representing a 2.3 per cent increase on the prior year. AADT for the quarter ended 30 June 2007 was 106,938 (117,925 for weekdays).

Toll revenue (net of GST) for the year ended 30 June 2007 was \$85.5 million, an increase of 2.3 per cent over the previous year.

### E-way

E-way is Interlink's customer management business that issues tags for M5, M1 and M4.

E-way continues to grow strongly with approximately 4,000 new tags issued and 1,500 new accounts opened per month during 2007. It now has more than 441,000 tags associated with 267,000 accounts.

### Significant changes in the state of affairs

With the exception of the events mentioned in the "Review of Operations" above, in the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

### Matters subsequent to the end of the financial period

#### (a) Refinance

Transurban raised AUD 600 million in the bank debt market in August 2007. Funds raised were used to refinance short term bank facilities.

#### (b) Strategic Investment in the ConnectEast Group

On 7 August 2007, Transurban announced that it has an economic interest in 6.28 per cent of the ConnectEast Group. The economic interest is held via cash-settled equity swaps (4.36 per cent) and a direct holding (1.92 per cent).

Transurban's total economic interest exceeded 5.0 per cent on 3 August 2007 after an acquisition of ConnectEast securities on market.

The investment is a strategic stake and Transurban has no current intention of making a takeover offer for the ConnectEast Group.

### 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.

### Insurance and indemnification

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the responsible entity or any of its agents. So long as the officers of the responsible entity act in accordance with the Trust Constitution and the Law, the officers remain indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

### 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 the full financial report.

No fees were paid to the directors of the Responsible Entity during the year out of Trust property.

### Interests in the Trust issued during the financial year

|                              | Consolidated |              | Parent Entity |              |
|------------------------------|--------------|--------------|---------------|--------------|
|                              | 2007<br>'000 | 2006<br>'000 | 2007<br>'000  | 2006<br>'000 |
| Balance at 1 July            | 816,633      | 791,416      | 816,633       | 791,416      |
| Units issued during the year | 251,740      | 25,217       | 251,740       | 25,217       |
| Balance at 30 June           | 1,068,373    | 816,633      | 1,068,373     | 816,633      |

### Value of Assets

|                                  | Consolidated   |                | Parent Entity  |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000 | 2006<br>\$'000 |
| Value of Trust assets at 30 June | 9,731,607      | 7,149,605      | 7,004,678      | 4,756,864      |

## Directors' report

### Units under option

There are no unissued units of Transurban Holding Trust under option at the date of this report. No options were granted in the current year.

### Units issued on the exercise of options

The following Transurban Stapled Securities, which include a unit in the Trust were issued during the year ended 30 June 2007 on the exercise of options granted under the Transurban Group's Employee Option Plan. No further securities have been issued since that date. No amounts are unpaid on any of the securities

| Date options granted | Issue price of securities | Number of securities issued |
|----------------------|---------------------------|-----------------------------|
| 26 April 2001        | \$3.817                   | -                           |
| 23 October 2001      | \$4.404                   | -                           |
| 1 February 2002      | \$4.280                   | -                           |
| 9 April 2002         | \$4.030                   | -                           |
| 20 May 2002          | \$4.220                   | 76,283                      |

### Directors' interests

The directors of the Responsible Entity have disclosed relevant interests in Stapled Securities, options over stapled securities issued by the Transurban Group as follows:

| Name             | Number of Stapled Securities | Stapled Securities issued via Executive Loan Plan |
|------------------|------------------------------|---|
| D J Ryan AO      | 24,091                       | -   |
| G O Cosgriff     | 48,611                       | -   |
| J G A Davis      | 55,592                       | -   |
| S M Oliver       | 41,831                       | -   |
| C J S Renwick AM | 21,552                       | -   |
| K Edwards        | 1,311,000                    | 722,500   |

### Environmental regulation

#### CityLink

CityLink Melbourne Limited is subject to regulation by the Environment Protection Act (1970) administered by the Victorian Environmental Protection Authority (EPA). The EPA currently regulates:

- discharges from the tunnel ventilation system and management of in-tunnel air quality;
- management of discharges of treated groundwater to the Yarra River; and
- management of the groundwater recharge system.

TransLink Operations (TLO) holds EPA Waste Discharge Licence EA41502. This specifies limits on the discharge of carbon monoxide, nitrogen dioxide and particulate matter as PM10 and PM2.5 from the tunnel ventilation system and imposes requirements to monitor these emissions. The licence also includes limits on the concentration of carbon monoxide within the tunnel and requires this to be monitored continuously.

This monitoring is undertaken by several specialist organisations under the supervision of the CityLink operator, Translink Operations Pty Ltd. The monitoring organisations are certified by the National Association of Testing Authorities. Monitoring verifies that emission levels are well below the maximum levels specified in the Waste Discharge Licence.

Following discussions with the Environmental Management Committee which includes representatives from CityLink, Translink Operations, EPA Victoria, local councils and community representatives, Translink Operations sought an amendment to the Waste Discharge Licence.

Accordingly, on 7 June 2005, EPA Victoria issued an amended Waste Discharge Licence (Licence EA41502) which materially altered the licence conditions. Under the amended licence, CityLink is no longer required to monitor ambient air quality in vicinity of the tunnel ventilation stacks. Monitoring of emissions within the tunnels and from the ventilation stacks continue unchanged.

In November 2002, Transurban commissioned a Groundwater Reuse Facility that is designed to treat groundwater that flows into the Burnley and Domain Tunnels and re-inject it into the aquifers along the alignment of the tunnels. As part of the management regime for this facility, EPA Victoria issued a Pollution Abatement Notice (PAN) to CityLink Melbourne Limited. This PAN requires groundwater quality to be monitored and reported. To date there have been no groundwater quality issues detected.

CityLink Melbourne Limited also holds a trade waste agreement with City West Water Limited. This agreement regulates the discharge to sewer of backwash water from the filtration system of the Groundwater Reuse Facility.

As TransLink Operations are responsible for the management of all hazardous spills, EPA Victoria also issued a PAN to TransLink Operations in relation to discharge of tunnel water to the Yarra River. This PAN ensures that TLO only discharge treated groundwater from the tunnels to the Yarra River.

In addition to the above environmental regulations, the PS&TR imposes a range of additional environmental requirements on CityLink. These include additional air quality requirements to be met within the tunnels, including oxides of nitrogen and visibility, and noise requirements on the open road system.

## Directors' report

### Hills M2

Hills Motorway Limited is subject to environmental regulation in respect to:

- Discharge of stormwater runoff from the M2 Motorway into the Lane Cove River, and
- Carbon-Monoxide levels within the M2 tunnels.

Monitoring of these parameters indicates that environmental requirements have been satisfied.

### Westlink M7 Motorway

Westlink M7 operations are not subject to any special environmental regulation apart from that which would apply to any other road or development of a similar nature except where protection for sensitive areas and specified trees that are endangered sites used by bats for roosting.

### M1 (Eastern Distributor)

The Eastern Distributor has been constructed under a licence issued by the Department of Urban Affairs and Planning (DUAP). This licence was issued following an environmental impact study of the project, and as part of the terms of the licence, the Minister for Planning and the Environmental Protection Agency (EPA) stipulated 152 environmental conditions to which Leighton Contractors Pty Limited ("the contractors") must adhere. These conditions range from engineering, public access and amenity to environmental concerns. Breaches of the environmental conditions could result in cessation of the project.

Compliance with these requirements is monitored by a monthly report that the contractor submits to DUAP. This report outlines the compliance with the aforementioned environmental conditions stipulated in the licence. The report is subject to audit by both the consulting engineer Sinclair Knight Merz (SKM) and the Roads and Traffic Authority of NSW and no significant breaches have been reported.

The licence also requires compliance with the Pollution Control Act with respect to the level of noise and water pollution generated by the construction. This is administered by the NSW EPA. There have been no significant breaches of this Act.

Licences have also been issued under the Clean Waters Act and the Noise Control Act, which relate to the discharging of water from the site and noise generating activities. There have been no significant breaches of these Acts.

Other Acts with which the project is required to comply with are:

- Clean Air Act
- NSW Heritage Act
- Waste Minimisation and Management Act
- The Environmental Offences & Penalties Act, and
- Environmentally Hazardous Chemicals Act.

There have been no significant breaches of these Acts.

### Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 60.


### Rounding off

The Trust is a registered scheme of a kind referred to in Class Order 98/0100, 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, unless otherwise indicated.

### Auditor

PricewaterhouseCoopers continues in office in accordance with the Corporations Act 2001.

This report is made in accordance with a resolution of the directors of Transurban Infrastructure Management Limited.



**David J Ryan AO**  
Chairman



**Kimberley Edwards**  
Managing Director

Melbourne  
21 August 2007

## Directors' report



**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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Facsimile 61 3 8603 1999

### Auditors' independence declaration

As lead auditor for the audit of the Transurban Group for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, the only contravention of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit is set out below.

On 13 July 2007, a non-audit service provider reported that he held an immaterial investment in Transurban Group that he received through compulsory acquisition of Sydney Roads Group. This staff member was immediately removed from providing services to the Transurban Group and the investment was sold.

The matter was identified as part of our ongoing quality control system. All reasonable steps were undertaken to ensure that this matter was resolved as soon as possible. I report that all matters have been resolved, and in doing so do not believe this matter has impacted my objectivity and impartiality for the purpose of this audit.

This declaration is in respect of the Transurban Group and the entities it controlled during the year

A handwritten signature in black ink that reads 'Tim Goldsmith'.

**Tim Goldsmith**  
Partner

Melbourne  
21 August 2007

Liability limited by a scheme approved under Professional Standards Legislation.

## Consolidated income statement for the year ended 30 June 2007

|   | Consolidated    |                |
|---|-----------------|----------------|
|   | 2007<br>\$'000  | 2006<br>\$'000 |
| <b>Revenue from continuing operations</b>   | <b>430,069</b>  | <b>359,202</b> |
| Other income  | 22,191          | 2,940          |
| Administration costs  | (1,489)         | (1,881)        |
| Operational costs   | (36,074)        | (17,686)       |
| Promissory Notes  | (1,263)         | (2,025)        |
| Depreciation and amortisation expense   | (105,030)       | (104,548)      |
| Finance costs   | (307,890)       | (166,940)      |
| Share of net losses of associate and joint venture partnership<br>accounted for using the equity method | (23,166)        | (8,634)        |
| <b>(Loss)/profit for the year</b>   | <b>(22,652)</b> | <b>60,428</b>  |
| Profit is attributable to:  |                 |                |
| Equity holders of Transurban Holding Trust  | (27,723)        | 60,428         |
| Equity holders of M1 (minority interest)  | 5,071           | -              |
|   | <b>(22,652)</b> | <b>60,428</b>  |
| <b>Earnings per unit for (loss)/profit attributable to the ordinary equity holders:</b>                 |                 |                |
|   | <b>Cents</b>    | <b>Cents</b>   |
| Basic earnings per unit   | (3.1)           | 7.6            |
| Diluted earnings per unit   | (3.1)           | 7.6            |

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



# FINANCIALS

## Consolidated balance sheet as at 30 June 2007

|   | Consolidated     |                  |
|---|------------------|------------------|
|   | 2007<br>\$'000   | 2006<br>\$'000   |
| <b>Current assets</b>                             |                  |                  |
| Cash and cash equivalents                         | 268,995          | 131,972          |
| Trade and other receivables                       | 17,205           | 9,464            |
| <b>Total Current Assets</b>                       | <b>286,200</b>   | <b>141,436</b>   |
| <b>Non-current assets</b>                         |                  |                  |
| Receivables                                       | 5,887,457        | 3,820,189        |
| Investments accounted for using the equity method | -                | 15,732           |
| Held-to-maturity investments                      | 557,731          | 469,767          |
| Derivative financial instruments                  | 20,623           | 2,937            |
| Property, plant and equipment                     | 2,594,469        | 2,699,499        |
| Intangible assets                                 | 385,127          | -                |
| <b>Total Non-Current Assets</b>                   | <b>9,445,407</b> | <b>7,008,124</b> |
| <b>Total assets</b>                               | <b>9,731,607</b> | <b>7,149,560</b> |
| <b>Current liabilities</b>                        |                  |                  |
| Trade and other payables                          | 85,369           | 93,330           |
| Non-interest bearing liabilities                  | 423,952          | 23,835           |
| Provisions  | 329,668          | 207,070          |
| <b>Total Current Liabilities</b>                  | <b>838,989</b>   | <b>324,235</b>   |
| <b>Non-current liabilities</b>                    |                  |                  |
| Borrowings  | 3,990,523        | 3,348,587        |
| Non-interest bearing liabilities                  | 199,833          | 11,711           |
| <b>Total Non-Current Liabilities</b>              | <b>4,190,356</b> | <b>3,360,298</b> |
| <b>Total liabilities</b>                          | <b>5,029,345</b> | <b>3,684,533</b> |
| <b>Net assets</b>                                 | <b>4,702,262</b> | <b>3,465,027</b> |
| <b>Unitholders' funds</b>                         |                  |                  |
| Issued units                                      | 5,911,399        | 4,194,672        |
| Reserves  | 9,187            | (910)            |
| Accumulated losses                                | (1,272,191)      | (728,735)        |
| Parent entity interest                            | 4,648,395        | 3,465,027        |
| Minority interest                                 | 53,867           | -                |
| <b>Total unitholders' funds</b>                   | <b>4,702,262</b> | <b>3,465,027</b> |

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

## Consolidated statement of changes in equity for the year ended 30 June 2007

|  | Consolidated     |                |
|--|------------------|----------------|
|  | 2007<br>\$'000   | 2006<br>\$'000 |
| <b>Total equity at the beginning of the year</b>                             | <b>3,465,027</b> | 3,646,815      |
| Adjustment on adoption of AASB 132 and AASB 139                              |                  |                |
| Retained Profits   | -                | 16,840         |
| Reserves   | -                | (14,074)       |
| <b>Restated total equity at the beginning of the financial year</b>          | <b>3,465,027</b> | 3,649,581      |
| Changes in fair value of share-based payments                                | 2,862            | 1,168          |
| Changes in fair value of cash flow hedges                                    | 7,235            | 11,996         |
| <b>Net income recognised directly in equity</b>                              | <b>10,097</b>    | 13,164         |
| <b>Profit for the year</b>   | <b>(22,652)</b>  | 60,428         |
| <b>Total recognised income and expense for the year</b>                      | <b>(12,555)</b>  | 73,592         |
| <b>Transactions with equity holders in their capacity as equity holders:</b> |                  |                |
| Exercise of employee unit options  | 296              | 10,711         |
| Conversion of CARS, net of transaction costs                                 | 340,549          | 53,544         |
| Treasury units acquired  | (14,474)         | (9,784)        |
| Treasury units disposed  | 1,617            | -              |
| Sydney Roads Group acquisition, net of Transaction costs                     | 1,169,169        | -              |
| Distribution reinvestment plan   | 219,570          | 88,981         |
| Dividends provided for or paid   | (515,733)        | (401,598)      |
| Minority interest on acquisition of subsidiary                               | 65,992           | -              |
| Minority interest distribution provided or paid                              | (17,196)         | -              |
|  | 1,249,790        | (258,146)      |
| <b>Total equity at the end of the year</b>                                   | <b>4,702,262</b> | 3,465,027      |
| <b>Total equity is attributable to:</b>                                      |                  |                |
| Equity holders of THT  | 4,648,395        | 3,465,027      |
| Equity holders of M1 (minority interest)                                     | 53,867           | -              |
|  | <b>4,702,262</b> | 3,465,027      |

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

# FINANCIALS

## Consolidated cash flow statement for the year ended 30 June 2007

|  | Consolidated     |                  |
|--|------------------|------------------|
|  | 2007<br>\$'000   | 2006<br>\$'000   |
| <b>Cash flows from operating activities</b>                |                  |                  |
| Receipts from customers (inclusive of GST)                 | 115,517          | 76,531           |
| Payments to suppliers (inclusive of GST)                   | (59,305)         | (33,382)         |
| Interest received  | 25,546           | 17,038           |
| Interest paid  | (208,338)        | (200,039)        |
| <b>Net cash outflow from operating activities</b>          | <b>(126,580)</b> | <b>(139,852)</b> |
| <b>Cash flows from investing activities</b>                |                  |                  |
| Payment for purchase of subsidiaries, net of cash acquired | (14,047)         | (69,534)         |
| Payments for Tullamarine/Calder Freeway Upgrade            | -                | (150,985)        |
| Loans to related parties                                   | (577,750)        | (385,541)        |
| Repayment of loans by related parties                      | 741,081          | 338,297          |
| <b>Net cash inflow/(outflow) from investing activities</b> | <b>149,284</b>   | <b>(267,763)</b> |
| <b>Cash flows from financing activities</b>                |                  |                  |
| Proceeds from issue of units                               | 296              | 10,712           |
| Proceeds from borrowings                                   | 4,000            | 8,000            |
| Payments for treasury securities                           | (14,474)         | (9,784)          |
| Proceeds from forfeited treasury securities                | 1,612            | -                |
| Loans from related parties                                 | 1,251,770        | 2,360,912        |
| Repayment of loans to related parties                      | (927,231)        | (1,778,921)      |
| Distributions paid   | (197,408)        | (243,240)        |
| Distributions paid to minority interests in subsidiaries   | (4,246)          | -                |
| <b>Net cash inflow from financing activities</b>           | <b>114,319</b>   | <b>347,679</b>   |
| <b>Net increase/(decrease) in cash held</b>                | <b>137,023</b>   | <b>(59,936)</b>  |
| Cash at the beginning of the financial year                | 131,972          | 191,908          |
| <b>Cash at the end of the financial year</b>               | <b>268,995</b>   | <b>131,972</b>   |

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

## Notes to the consolidated financial statements for the year ended 30 June 2007

This concise financial report relates to the consolidated entity consisting of Transurban Holding Trust and the entities it controlled at the end of, or during, the year ended 30 June 2007. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated.

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 financial reports. Amounts in the concise financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

### 1. Presentation Currency

The presentation currency used in this concise financial report is Australian dollars.

### 2. Segment Information

The Trust's principle business segment for the year ending 30 June 2007 was the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to this principle segment. The management structure and internal reporting of the Trust are based on the principle business segment.

Assets of the Transurban Group which the Trust has funded are located in two separate states of Australia and one State within the United States of America.

|                          | Segment Revenues |         | Segment Assets   |           | Acquisitions of PP&E,<br>intangibles, and other<br>non-current segment<br>assets |        |
|--------------------------|------------------|---------|------------------|-----------|--|--------|
|                          | 2007             | 2006    | 2007             | 2006      | 2007   | 2006   |
|                          | \$'000           | \$'000  | \$'000           | \$'000    | \$'000   | \$'000 |
| Victoria                 | 228,037          | 200,617 | 5,738,941        | 3,908,383 | 385,127  | -      |
| New South Wales          | 198,619          | 154,549 | 3,756,565        | 2,903,183 | -  | -      |
| United States of America | -                | -       | 236,101          | 337,994   | -  | -      |
|                          | <b>426,656</b>   | 355,166 | <b>9,731,607</b> | 7,149,560 | <b>385,127</b>   | -      |

### 3. Revenue

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2007<br>\$'000 | 2006<br>\$'000 |
| Services revenue from continuing operations | <b>430,069</b> | 359,202        |

# FINANCIALS

## Notes to the consolidated financial statements for the year ended 30 June 2007

### 4. Distributions

The distributions set out below represent distributions to stapled securities holders.

|   | Parent Entity  |                |
|---|----------------|----------------|
|   | 2007<br>\$'000 | 2006<br>\$'000 |
| <b>Distributions proposed</b>   |                |                |
| Final distribution payable and recognised as a liability: 27.5 cents (2006 - 25.5 cents) per fully paid stapled security payable 27 August 2007 | 294,744        | 207,422        |
| <b>Distributions paid during the year</b>   |                |                |
| Final distribution for 2006 financial year of 25.5 cents (2005 - 18.0 cents) per fully paid Stapled Security paid 25 August 2006                | 207,422        | 142,443        |
| Interim distribution for 2007 financial year of 26.5 cents (2006 - 24.5 cents) per fully paid Stapled Security paid 28 February 2007            | 220,989        | 194,188        |
| <b>Total distributions paid</b>   | <b>428,411</b> | <b>336,631</b> |

Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2007 and 30 June 2006

|   |                |                |
|---|----------------|----------------|
| Paid in cash                                      | 197,408        | 243,240        |
| Executive loans - repayments                      | 1,228          | 352            |
| Satisfied by issue of Stapled Securities          | 229,758        | 93,007         |
| Distributions waiting to be applied to future DRP | 17             | 32             |
| <b>Total distributions paid</b>                   | <b>428,411</b> | <b>336,631</b> |

### 5. Earnings per unit

|   | Consolidated |             |
|---|--------------|-------------|
|   | 2007         | 2006        |
| Basic earnings per unit attributed to ordinary unit holders   | (3.1) cents  | 7.6 cents   |
| Diluted earnings per unit attributed to ordinary unit holders   | (3.1) cents  | 7.6 cents   |
| Weighted average number of units used as the denominator in calculating basic earnings per unit                       | 880,884,193  | 799,431,057 |
| Weighted average number of units and potential units used as the denominator in calculating diluted earnings per unit | 880,884,193  | 800,300,233 |

### Information concerning the classification of units

#### (a) Stapled Securities

Stapled Securities, and therefore units, are fully paid and have been recognised in the determination of basic earnings per unit.

#### (b) Options

Options granted to executives of the Transurban Group under the Transurban Executive Option Plan are considered to be potential Stapled Securities and have been included in the calculation of diluted earnings per unit.

### 6. Economic dependency

The consolidated entity is reliant on distributions from the CityLink Trust and the Hills Motorway Trust and interest on Term Loan Notes for its ongoing viability.

### 7. Events occurring after the balance date

On 7 August 2007, Transurban announced that it has an economic interest in 6.28 per cent of the ConnectEast Group. The economic interest is held via cash-settled equity swaps (4.36 per cent) and a direct holding (1.92 per cent).

Transurban's total economic interest exceeded 5.0 per cent on 3 August 2007 after an acquisition of ConnectEast securities on market.

The investment is a strategic stake and Transurban has no current intention of making a takeover offer for the ConnectEast Group.

### 8. Intra-group guarantees

As at 30 June 2007, 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.

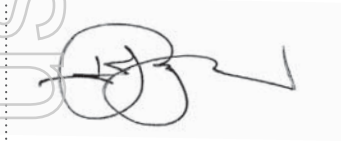
## Directors' declaration

The directors declare that in their opinion, the concise financial report of the Trust for the year ended 30 June 2007 as set out on pages 61 to 66 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The concise financial report is an extract from the full financial report for the year ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

This declaration is made in accordance with a resolution of the directors.



**David J Ryan A0**  
Chairman



**Kimberley Edwards**  
Managing Director

Melbourne  
21 August 2007

## Independent audit report to the members



PricewaterhouseCoopers  
ABN 52 780 433 757

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DX 77  
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### Independent audit report to the members of Transurban Holding Trust

#### Audit opinion

In our opinion, the concise financial report of Transurban Holding Trust for the year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

#### Scope

##### The concise financial report and directors' responsibility

The concise financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the financial statements, and the directors' declaration for Transurban Holding Trust (the trust) for the year ended 30 June 2007.

The directors of the trust are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

##### Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We also performed an independent audit of the full financial report of the trust for the financial year ended 30 June 2007. Our audit report on the full financial report was signed on 21 August 2007 and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

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We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, and other disclosures in the concise financial report which were not directly derived from the full financial report.

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

  
PricewaterhouseCoopers

  
Tim Goldsmith  
Partner

Melbourne  
21 August 2007



# FINANCIALS

Transurban International Limited

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## Directors' report

### Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the period ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Transurban International Limited and its subsidiaries as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. You can access both the full financial report and the concise report via the internet at our Investor Information on our website: [www.transurban.com](http://www.transurban.com). Alternatively, you can call 1300 360 146 (free call) and a copy will be forwarded to you.

### Directors report

The directors present their report on the consolidated entity consisting of Transurban International Limited ("the Company"), and the entities it controlled (collectively "the Group") for the period 6 September 2006 to 30 June 2007.

### Accounts

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

As Transurban International Limited was incorporated on 6 September 2006 there is no comparative period.

### Directors

With the exception of the changes noted below, the following persons were directors of Transurban International Limited from the date of incorporation up to the date of this report.

#### Non-executive directors

- David J Ryan AO<sup>(1)</sup>
- Laurence G Cox AO<sup>(2)</sup>
- James Keyes
- Jennifer Eve

#### Executive directors

- Kim Edwards

<sup>(1)</sup> David J Ryan was appointed director on 28 February 2007.

<sup>(2)</sup> Laurence G Cox was a director from 6 September 2006 until his resignation on 28 February 2007.

### Principal activities

During the year the company's principal activity was acting as the holding entity of Transurban DRIVe Holdings LLC and Transurban International Holdings LLC.

### Results

The result of operations for the financial year ended 30 June 2007 was an operating loss of \$197,146.

### Review of operations

Since 3 January 2007, the company has acted as the holding entity of Transurban DRIVe Holdings LLC. The company's Memorandum of Association empowers it to carry on the business of a mutual fund company, and to acquire, possess, deal in and dispose of securities, currencies, derivative instruments and other financial instruments of any kind and infrastructure assets of any kind.

### Significant changes in the state of affairs

Other than matters described elsewhere in the Directors' Report, there were no significant changes in the state of affairs during the financial year.

### Matters subsequent to end of the financial year

#### (a) First stage closure of DRIVe

Transurban DRIVe Holdings LLC is an unlisted co-investment vehicle which will invest in existing and new toll road and similar or related opportunities in North America. On 21 August 2007, Transurban completed the first contractual closure of DRIVe. Transurban's initial interest will be 75 per cent with Capital Partners taking 25 per cent. As a result of this transaction the Pocahontas Parkway will be sold into Transurban DRIVe Holdings LLC for USD \$236.0 million.

#### (b) The transportation Infrastructure Finance and Innovation act funding

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFA) established a federal credit program under which the US Department of Transportation (USDOT) may provide Federal credit assistance to major transportation investments of critical or national significance.

On 12 June 2007 USDOT Credit Council approved Transurban's TIFIA application for USD \$150.0 million. The funds are to be used to repay USD \$95.2 million of Senior Debt, to finance the Richmond Airport Connector and an upgrade of the electric tolling system on the Pocahontas Parkway asset.

The TIFIA debt facility is long term funding (35 years) which offers a five year period of capitalised interest and fixed interest rate representing one basis point above Government Bonds with similar maturity as published by the United States Treasury Bureau of Public Debt's.

On 20 August 2007, Transurban received USD \$97.8 million to allow for the refinance of existing debt.

### Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the company.

### Environmental regulation

No environmental regulations apply.

## Directors' report

### Information on directors

#### David J Ryan AO

BBus, FCPA, FAICD

Chairman & Independent non-executive director

#### Experience and expertise

David has a background in the finance industry and in business.

#### Other current directorships

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

#### Former directorships in last 3 years

Non-executive director of Virgin Blue Holdings Limited (2003–2005)

Non-executive director of Sydney Roads Limited (April–June 2007)

Non-executive director of Sydney Roads Management Limited (April–July 2007)

#### Date of initial appointment

29 April 2003.

#### Special responsibilities

Chair of Audit Committee and Member of Risk Committee

#### Kimberley Edwards

BE, MAdmin (Bus), FIE (Aust), MAICD

Managing Director

#### Experience and expertise

Kim has held senior management positions on major commercial and infrastructure projects in Australia, the UK and the Middle East.

He joined Transurban to lead the successful bid for the CityLink project in Melbourne, and spearheaded the development of the Group into new toll road opportunities in Australia and the US.

#### Other current directorships

None

#### Former directorships in last 3 years

Executive Director of Hills Motorway Ltd (April–August 2005)

Executive Director of Sydney Roads Limited (April–June 2007)

Executive Director of Sydney Roads Management Limited (April–July 2007)

#### Date of initial appointment

29 October 1996

#### Special responsibilities

Managing Director

#### James Keyes

M.A (Hons)

Independent non-executive director.

#### Experience and expertise

James is Partner and the Local Team Leader of the Funds and Investment Services Team at Appleby Hunter Bailhache (legal firm within Bermuda).

He practised as a lawyer for more than 15 years and specialises in the area of mutual funds, corporate finance and securities.

#### Other current directorships

None

#### Former directorships in last 3 years

None

#### Date of initial appointment

18 September 2006

#### Special responsibilities

None

#### Jennifer Eve

BA, LLB (Hons), LLM

Independent non-executive director

#### Experience and expertise

Jennifer is an associate and member of the Funds and Investment Services Team at Appleby Hunter Bailhache (legal firm within Bermuda).

She practices in the area of company and commercial law, specialising in the formation and administration of corporate vehicles.

#### Other current directorships

None

#### Former directorships in last 3 years

None

#### Date of initial appointment

18 September 2006

#### Special responsibilities

None

### Company Secretary

#### Mark Licciardo

BBus (Acc), GradDip CSP, ASA, FCIS

Mark held the position of Company Secretary from January 2005 until his resignation on 17 August 2007. Before joining Transurban he held the position of company secretary with a group of listed investment companies, the major one being Australian Foundation Investment Company Limited. Prior to that he held various finance roles with investment companies and major banks.

#### Paul O'Shea

B Ec, LLB, FCIS

Paul is General Counsel and Group General Manager Risk Management. He was originally appointed General Counsel in March 1996. He has responsibility for legal advice, the Group's risk management strategy and direction, insurance and Independent Customer Resolutions. Before joining Transurban he held a senior legal role at Transfield for 18 months during the bid for CityLink.

# FINANCIALS

## Directors' report

### Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the period ended 30 June 2007, and the numbers of meetings attended by each director were:

| Name        | Board of Directors |   | Audit Committee |   | Nomination & Remuneration Committee |   | Risk Committee |   |
|-------------|--------------------|---|-----------------|---|-------------------------------------|---|----------------|---|
|             | A                  | B | A               | B | A                                   | B | A              | B |
| D J Ryan AO | 2                  | 2 | 2               | 2 | 3                                   | x | 2              | 2 |
| L G Cox AO  | 0                  | 0 | 1               | 1 | 1                                   | 1 | x              | x |
| K Edwards   | 2                  | 2 | 1               | x | 4                                   | 4 | x              | x |
| J Keyes     | 2                  | 2 | x               | x | x                                   | x | x              | x |
| J Eve       | 2                  | 2 | x               | x | x                                   | x | x              | x |

A = Number of meetings attended

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

X = Not a member of the relevant board

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

### Directors' Interests

The directors of the Group have disclosed relevant interests in Stapled Securities of the Transurban Group:

| Name        | Number of Stapled Securities | Stapled Securities issued via Executive Loan Plan |
|-------------|------------------------------|---|
| D J Ryan AO | 24,091                       | -   |
| K Edwards   | 1,311,000                    | 722,500   |
| J Keyes     | -                            | -   |
| J Eve       | -                            | -   |

## Directors' report

### Remuneration report

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

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation, and
- (e) Additional information.

All amounts relate to the 12 months ended 30 June 2007 paid as remuneration by the Transurban Group. The company and Group has not paid any remuneration in the period since its incorporation on 6 September 2006.

The information provided under the headings A-D includes remuneration disclosures that are required under Accounting Standards AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

#### (a) Principles used to determine the nature and amount of remuneration (audited)

##### Non-executive directors

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

The constitutions of the entities comprising the Transurban Group ("the Group") provide that the total remuneration paid in a year to non-executive directors may not exceed \$1.9 million in total for the Group.

Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 October 2006.

In September 2005, the Board resolved to discontinue previously provided retirement benefits for all participating non-executive directors with effect from 30 September 2005 such that future directors were not entitled to this benefit. The value of benefits accrued up to this date attracts interest at the statutory Fringe Benefits rate (currently 7.05 per cent). The accrued 'frozen' retirement benefits plus interest will be paid to directors upon their retirement.

### Executive directors and executives

The key objectives of the Group's policy for executive remuneration are:

- To secure employees with the skills and experience necessary to meet business objectives;
- To motivate employees to the highest levels of performance; and
- To align employee incentives with increased security holder value.

The policy seeks to support the Group's objective to be perceived as "an employer of choice" by:

- Offering remuneration levels which are attractive relative to those offered by comparable employers; and
- Providing strong, transparent linkages between individual and group performance and rewards.

In consultation with external remuneration consultants, the Group has structured its executive remuneration to reward both longer term growth and the achievement of short term performance targets.

Executives are remunerated through a combination of base salary and benefits, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI").

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

The incentive component of executive remuneration is determined by:

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

The remuneration of the Managing Director is established by the Board, based on the recommendation of the Remuneration Committee. The remuneration of senior executives reporting to the Managing Director is established by the Remuneration Committee, based on the recommendation of the Managing Director.

The components of executive remuneration are described below:

#### Base pay

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

## Directors' report

### Benefits

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

### Short-term Incentives

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

- The extent to which the Group has met its key result areas (KRAs);
- The extent to which profit-related financial and non-financial performance targets are achieved; and
- The extent to which the executive has achieved his/her individual KPIs.

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

Each year, key result areas, including a financial performance target are established by the Board, based on recommendations made by the Managing Director. The KPIs for the Managing Director are established by the Board based on recommendations made by the Remuneration Committee. KPIs for executives reporting to the Managing Director are established by the Managing Director.

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

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

### Long Term Incentives

On an annual basis, the Group makes available Long Term Incentive ("LTI") allocations to executives. Two forms of long-term incentives ("LTI") were in operation during the reporting period. The Executive Long Term Incentive Plan (ELTIP) provided cash rewards linked to equity performance over a two year vesting period and the Executive Loan Plan ("ELP") which is linked to improvements in the price of stapled securities over a three year period. Both plans utilise Total Security holder Return as the basis for determining payment.

Following announcement of changes in the May 2006 Federal Budget to extend the employee share scheme and related capital gains tax provisions to stapled securities that include an ordinary share and are listed on the Australian Stock Exchange, a review of the company's share plans was undertaken. As a result, a new Performance Rights Plan (PRP) was adopted by the Board for implementation in November 2007.

The new PRP will utilise two performance measures, one linked to Total Security holder Return over a three year vesting period and the second, an operational performance measure of the business over the same period. The Plan has been structured so that rewards are only obtained if there are materially improved security holder returns and operational performance results over the three year period.

Executives participating in the PRP are provided with a right to acquire, at no cost to them an allocated number of stapled securities, subject to the achievement of performance conditions at the time of investing. Executives based outside Australia are eligible to participate in a cash plan similarly structured to the PRP.

### Employee Security Ownership Plan

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

### Business Generation Incentive Plan

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

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

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

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

### (b) Details of remuneration (audited)

Transurban International Limited does not employ any executive key management personnel or executive directors. All related remuneration disclosures refer to other Transurban Group entities and have not been apportioned as a relevant basis of apportionment is not available.

Non-executive remuneration represents the company's share of remuneration with the remainder divided between Transurban Holding Trust and Transurban Holdings Limited.

Details of the remuneration of the directors and key management personnel are set out in the following tables.

The key management personnel of Transurban International Limited includes the directors (refer page 74) and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- C Brant—Chief Finance Officer
- B Bourke—Group General Manager Operations
- P O'Shea—Group General Manager Legal and Risk Management
- G Mann—Group General Manager Development

## Directors' report

## Key management personnel of Transurban International Limited

| 2007<br>Name                          | Short-term benefits  |                  |                       | Post-employment benefits |                                    | Share-based payments               |   | Total            |
|---------------------------------------|----------------------|------------------|-----------------------|--------------------------|------------------------------------|------------------------------------|---|------------------|
|                                       | Cash salary and fees | Cash Bonus       | Non-monetary benefits | Super-annuation          | Retirement benefits <sup>(a)</sup> | Executive Loan Plan <sup>(b)</sup> | Long term Incentive Plan <sup>(c)</sup> |                  |
|                                       | \$                   | \$               | \$                    | \$                       | \$                                 | \$                                 | \$                                      | \$               |
| <b>Non-executive directors</b>        |                      |                  |                       |                          |                                    |                                    |   |                  |
| D J Ryan AO                           | 39,199               | -                | -                     | 3,528                    | -                                  | -                                  | -                                       | 42,727           |
| L G Cox AO <sup>(1)</sup>             | 17,043               | -                | -                     | 5,840                    | 3,414                              | -                                  | -                                       | 26,297           |
| J M Keyes                             | 9,249                | -                | -                     | -                        | -                                  | -                                  | -                                       | 9,249            |
| J Eve                                 | 9,249                | -                | -                     | -                        | -                                  | -                                  | -                                       | 9,249            |
| <b>Executive directors</b>            |                      |                  |                       |                          |                                    |                                    |   |                  |
| K Edwards<br>Managing Director        | 1,495,520            | 1,600,000        | 8,330                 | 105,113                  | -                                  | 264,409                            | 376,710                                 | 3,850,082        |
| <b>Other key management personnel</b> |                      |                  |                       |                          |                                    |                                    |   |                  |
| C Brant                               | 561,683              | 550,000          | 8,330                 | 49,641                   | -                                  | 105,941                            | 80,051                                  | 1,355,646        |
| B Bourke                              | 515,792              | 500,000          | 8,330                 | 45,510                   | -                                  | 94,214                             | 75,342                                  | 1,239,188        |
| P O'Shea                              | 325,454              | 450,000          | 8,330                 | 105,124                  | -                                  | 73,008                             | 56,506                                  | 1,018,422        |
| G Mann                                | 465,415              | 250,000          | 8,330                 | 85,000                   | -                                  | 98,935                             | -                                       | 907,680          |
| <b>Total</b>                          | <b>3,438,604</b>     | <b>3,350,000</b> | <b>41,650</b>         | <b>399,756</b>           | <b>3,414</b>                       | <b>636,507</b>                     | <b>588,609</b>                          | <b>8,458,540</b> |

(1) L G Cox was chairman and a non-executive director from the beginning of the period until his resignation on 28 February 2007.

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

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

(c) The amount shown as Long Term Incentive is that part of the units issued under the cash based ELTIP which is attributable to the current year portion of the vesting period for each current allocation.

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

| Name                                  | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|---------------------------------------|--------------------|------|---------------|------|---------------|------|
|                                       | 2007               | 2006 | 2007          | 2006 | 2007          | 2006 |
| <b>Directors of the Group</b>         |                    |      |               |      |               |      |
| K Edwards                             | 43%                | 52%  | 43%           | 38%  | 14%           | 10%  |
| <b>Other key management personnel</b> |                    |      |               |      |               |      |
| C Brant                               | 43%                | 49%  | 40%           | 41%  | 17%           | 10%  |
| B Bourke                              | 43%                | 47%  | 39%           | 43%  | 18%           | 10%  |
| P O'Shea                              | 40%                | 41%  | 43%           | 50%  | 17%           | 9%   |
| G Mann                                | 54%                | 69%  | 25%           | 16%  | 21%           | 15%  |



## Directors' report

### (c) Service agreements (audited)

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

#### Executive directors

K Edwards, Managing Director

- Fixed remuneration including base salary and superannuation, for the year ending 30 June 2008 of \$1,900,000 to be reviewed annually by the Remuneration Committee and the Board;
- A Short Term Incentive Payment of \$1,600,000 being 100 per cent of his total employment cost for the year ending 30 June 2007.
- A Long Term Incentive allocation for financial year 2008 under the terms and conditions of the new Performance Rights Plan (described in Section D) equal to \$1,000,000 (or approximately 50 per cent of TEC) to be offered 1 November 2007 with Stapled Securities to be acquired on market.
- The Managing Director's allocation will be derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. By dividing the Managing Director's remuneration value by this adjusted valuation, the number of Stapled Securities will be derived. For example, if the valuation at 1 November 2007 is \$3.50, the Managing Director's allocation of \$1,000,000 will be divided by this valuation to provide him with a total of 285,715 performance rights.
- Term of Agreement – permanent, subject to 6 months notice of termination;
- The payment of 1.3 times of fixed remuneration upon termination

### Key Management Personnel and other executives

The major provisions contained in the service agreements of key management personnel and other executives are the same for all persons except for the base salary component and include the following provisions:

- Term of agreement – permanent, subject to termination on 6 months notice; and
- Total Employment Cost (TEC) reviewed annually by the Remuneration Committee and approved by the Board.

### (d) Share-based compensation (audited)

#### Executive long term incentive plan

The executive long term incentive plan (ELTIP) was offered in years 2004 and 2005.

Under the ELTIP, participants were allocated "ELTI units". Each ELTI unit entitled the holder to a cash payment on the maturity date, approximately two years after the date of allocation. The cash payment per unit was equal to the increase in the Stapled Security price over the period between the date of allocation and the maturity date. The proportion of ELTI units which vest with the executive at maturity is dependent on the Transurban Group's ranking in the Total Shareholder Returns (TSRs) of the companies within the S&P/ASX 200 Industrials over the two years prior to maturity. If Transurban's TSR ranking is below the 40th percentile, no payment is made. For TSR rankings between the 40th and 70th percentiles, the proportion increases linearly from 25 per cent to 100 per cent. If Transurban's TSR ranking is above the 70th percentile, the proportion is 100 per cent.

The terms and conditions of each grant of long term incentive plan units affecting remuneration in this reporting period are as follows:

| Grant date   | Expiry date  | Grant price | Value per unit at grant date | Value per unit at reporting date | Date Paid   |
|--------------|--------------|-------------|------------------------------|----------------------------------|-------------|
| 30 Sept 2004 | 30 Sept 2006 | \$5.45      | \$0.54                       | \$1.79                           | 30 Nov 2006 |

Details of ELTIs paid to each director and other key management personnel are set out below. No ELTIs were issued during the year.

| Name  | Number of ELTIs during the year | \$ Value of ELTIs paid during the year |
|---|---------------------------------|--|
| <b>Directors Transurban International Limited</b> |                                 |  |
| K Edwards   | 800,000                         | 1,083,019                              |
| <b>Other key management personnel</b>             |                                 |  |
| C Brant   | 170,000                         | 230,142                                |
| B Bourke  | 160,000                         | 216,604                                |
| P O'Shea  | 120,000                         | 162,453                                |
| G Mann  | -                               | -                                      |

## Directors' report

### Executive Loan Plan ("ELP")

The Executive Loan plan ("ELP") offered in years 2006 and 2007, was introduced as it offered payoff characteristics similar to those of an option-based plan and thus rewarded TSR out performance. The ELP is structured as a performance loan plan which is linked to improvements in the price of stapled securities over a three year period. The Plan has been structured so that rewards are only obtained if there are materially improved security holder returns.

Executives participating in the ELP are provided with an interest free loan to assist them to acquire stapled securities at market price. The term of the loan is three years and there is only one testing date. The Stapled Securities are held by the executive but will only vest in the executive in accordance with the terms of the Plan. Expiry occurs 3 years plus 60 days from the date of commencement of the Plan, unless the rules of the Plan otherwise provide. Holding locks are applied to the Stapled Securities to ensure that they can only be dealt with in accordance with the terms of the Plan. The acquired shares cannot be transferred or sold while the loan is outstanding.

Stapled securities vest in the executive if:

- (a) the executive is employed by the Transurban Group for at least 3 years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide; and
- (b) the performance hurdle relevant to the offer is met.

If the staples securities vest in the executive:

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

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

The Plan was designed so that the executive does not need to provide any money to purchase securities in the Transurban Group and is not himself or herself directly responsible for repayment of any loan provided. The proceeds of sale of stapled securities are, unless the rules of the Plan provide otherwise, applied to discharge the repayable portion of any loan.

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

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

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

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

This ranking determines the extent to which stapled securities will vest.

- If Transurban's TSR is ranked at or above the 75th percentile, 100 per cent of the stapled securities will vest.
- If Transurban's TSR is ranked above the 50th percentile but below the 75th percentile, the percentage of stapled securities ("P") that will vest will be that calculated according to the following formula:
  - $P = 50 + 2 \times (R_{\text{Transurban}} - 50)$
  - Where:  $R_{\text{Transurban}}$  = The percentile rank of Transurban's TSR.
- If Transurban's TSR is ranked at or below the 50th percentile, none of the stapled securities will vest.

The allocation of ELP units was determined by the following:

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

- (i) The number of stapled securities an executive is entitled to is derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. These valuation methods take into account the fact that the loan will need to be repaid along with performance and other conditions. By dividing the remuneration value or number by this adjusted valuation, the number of stapled securities is derived;
- (ii) the stapled securities are acquired and transferred to each participant;
- (iii) the purchase price per stapled security is the average market price of stapled securities weighted by reference to volume over the week leading up to and including the date of commencement of the Plan; and
- (iv) the amount of the loan provided to a participant is equal to the purchase price per stapled security multiplied by the participant's stapled securities entitlement.

Details of securities provided to each director and other key management personnel are set out below.

| Name  | Number of securities granted | Number of securities vested | Number of securities exercised |
|---|------------------------------|-----------------------------|--------------------------------|
| <b>Directors Transurban International Limited</b> |                              |                             |                                |
| K Edwards   | 410,000                      | -                           | -                              |
| <b>Other key management personnel</b>             |                              |                             |                                |
| C Brant   | 175,000                      | -                           | -                              |
| B Bourke  | 160,000                      | -                           | -                              |
| P O'Shea  | 130,000                      | -                           | -                              |
| G Mann  | 160,000                      | -                           | -                              |

## Directors' report

### Announced Taxation Changes Impacting Stapled Securities

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

### Performance Rights Plan ("PRP")

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

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

Stapled securities vest in the executive if:

- (a) the executive is employed by the Transurban Group for at least 3 years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide; and
- (b) the performance hurdles relevant to the offer are met.

Unless the Plan rules provide otherwise, no stapled securities will vest in the executive if the identified performance measures are not met. If an executive leaves the employ of the Transurban Group unvested securities will lapse.

No dividends or distributions are payable in respect of the stapled securities subject of the Plan during the vesting period.

### Performance Hurdles

#### (1) 50 per cent of rights vest subject to Total Shareholder Return (TSR)

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

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

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

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

- If Transurban's TSR is ranked at or below the 50th percentile, none of the stapled securities will vest.
- If Transurban's TSR is ranked at or above the 75th percentile, 100 per cent of the stapled securities under this measurement will vest.

- Linear vesting if Transurban's TSR is ranked between the 50th and 75th percentiles

#### (2) 50 per cent of rights vest subject to an operational performance measure based on EBITDA growth

- 50 per cent of rights under this measurement vest if there is 10 per cent compound EBITDA annual growth over the vesting period from the base year.
- 100 per cent of rights under this measurement vest if there is 15 per cent compound EBITDA annual growth over the vesting period from the base year.
- Linear vesting if ranking is between the two annual compound growth targets

### Allocation of PRP Units

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

The number of stapled security rights an executive is entitled to, is derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. These valuation methods take into account performance and other conditions. By dividing the remuneration value by this adjusted valuation, the number of stapled securities is derived.

### Employee Security Ownership Plan ("ESOP")

Following the Federal Governments announced taxation changes concerning stapled securities as previously noted, a review of the company's Employee Security Ownership Plan was undertaken, resulting in the implementation of two new Plans - the Investment Tax Exempt Plan and the Investment Tax Deferred Plan.

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

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

The previous Incentive Plan has been retained. Subject to Board approval and the performance of the company, an allocation of securities at no cost to eligible permanent employees is made. In 2007 an allocation of 100 securities was made to 503 employees.

### (e) Additional information (not audited)

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The incentive component of executive remuneration is primarily determined by:

- financial performance relative to short-term profitability targets
- business achievements through the achievement of Group key result areas (KRAs)
- project successes
- total shareholder return relative to other companies in the ASX Industrials index and
- individual performance as measured by the achievement of key performance indicators (KPIs) and the upholding of Group values

The Group's performance over the past financial year is best measured by the success achieved through its business development activities and associated growth in market capitalisation.

## Directors' report

Transurban achieved effective control of the Sydney Roads Group ("SRG") on 11 April 2007. As a result of the acquisition Transurban holds investments in the Eastern Distributor (M1), Interlink Roads Limited (M5) and Statewide Roads Limited (M4 Motorway) in New South Wales. This acquisition provides Transurban with a significant presence in the Sydney market and the opportunity to maximise security holder value through forecast synergies which will be achieved across the network totalling \$8.0 million. Synergies realised to date total \$5.4 million.

In preparation for future international development Transurban International Limited (TIL) was formed on 3 January 2007 to create a more efficient vehicle for which investments in international assets can be made and allows for security holder distributions from these investments to be executed in a timely and efficient manner. TIL will own Transurban's investment in the Transurban DRIVE co investment vehicle which reached contractual close in August 2007.

These developments along with sustained growth in corner stone assets such as the Melbourne CityLink and the Hills M2 which achieved annual growth in revenue of 8.8 per cent and 16.9 per cent respectively have contributed to significant gains in market capitalisation increasing from \$5.7 billion on 1 July 2006 to \$8.6 billion at 30 June 2007.

Supporting the increased market capitalisation is the Group's capacity to continue to grow its distributions through sustained cash generation and increased debt capacity. A distribution of 54.0 cents per security will be paid to security holders for the year ended 30 June 2007, representing an increase on the prior corresponding period of 8.0 per cent.

Transurban is currently ranked in the top 40 public companies listed on the ASX.

### Cash bonuses

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

Cash bonuses aggregating \$3.8 million were incurred under the Business Generation Incentive Plan in relation to the acquisition of the Sydney Roads Group.

Each cash bonus paid to Directors and the percentage of the available bonus that was paid in the financial year and the percentage that was forfeited because the person did not meet his or her performance criteria is set out below. No part of the cash bonuses are payable in future years.

| Name      | Cash Bonus |             |
|-----------|------------|-------------|
|           | Paid %     | Forfeited % |
| K Edwards | 100        | -           |
| C Brant   | 100        | -           |
| B Bourke  | 100        | -           |
| P O'Shea  | 100        | -           |
| G Mann    | 100        | -           |

### Long Term Incentive Units

Long term incentive units which were issued in September 2004 vested in September 2006 and were paid in November 2006.

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

| Name                   | A              | B                      | C                         | D                      | E                       |
|------------------------|----------------|------------------------|---------------------------|------------------------|-------------------------|
|                        | Remuneration % | Value at date grant \$ | Value at exercise date \$ | Value at lapse date \$ | Total of columns B-D \$ |
| K Edwards - ELTI       | -              | -                      | 1,083,019                 | 327,621                | 1,410,640               |
| K Edwards - share plan | 35             | 560,000                | -                         | -                      | 560,000                 |
| C Brant - ELTI         | -              | -                      | 230,142                   | 69,619                 | 299,761                 |
| C Brant - share plan   | 40             | 240,000                | -                         | -                      | 240,000                 |
| B Bourke - ELTI        | -              | -                      | 216,604                   | 65,524                 | 282,128                 |
| B Bourke - share plan  | 40             | 220,000                | -                         | -                      | 220,000                 |
| P O'Shea - ELTI        | -              | -                      | 162,453                   | 49,143                 | 211,596                 |
| P O'Shea - share plan  | 40             | 168,000                | -                         | -                      | 168,000                 |
| G Mann - share plan    | 40             | 220,000                | -                         | -                      | 220,000                 |

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

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

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

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

## Directors' report

### Indemnification and Insurance

The officers of the Transurban Group are indemnified against liability incurred by the person in their capacity as an officer unless the liability arises out of conduct on the part of the officer which involves a lack of good faith. The Group also indemnifies each person who is or has been an officer against liability for costs or expenses incurred by the person in his or her capacity as an officer in defending civil or criminal proceedings in which judgment is given in favour of the person or the person is acquitted or in connection with an application in which the Court grants relief to the person under the Corporations Act 2001.

Pursuant to this indemnification, the individual entities of the Group have paid premiums for an insurance policy for the benefit of directors, secretaries and executive officers and related bodies corporate of the Group, in the case of the Trusts within the Group the officers are indemnified out of the assets of the Trusts. In accordance with common practice, the insurance policies prohibit disclosure of the nature of the liability covered and the amount of the premium.

### Non-audit services

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

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

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in professional statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the combined entity, acting as advocate for the combined entity or jointly sharing economic risk and rewards.

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

|                          | <b>Consolidated<br/>2007<br/>\$</b> |
|--------------------------|-------------------------------------|
| <b>Taxation Services</b> |                                     |
| Tax consulting           | 8,700                               |
|                          | <b>8,700</b>                        |

Fees associated with audit services have been recognised by the ultimate parent entity in 2007.

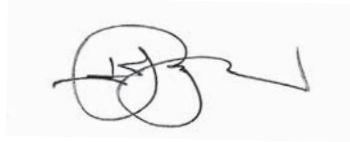
### Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 83.

### 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 the directors.



**David J Ryan AO**  
Chairman



**Kimberley Edwards**  
Managing Director

Melbourne  
21 August 2007



**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
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MELBOURNE VIC 3001  
DX 77  
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Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999

### **Auditors' independence declaration**

As lead auditor for the audit of the Transurban Group for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, the only contravention of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit is set out below.

On 13 July 2007, a non-audit service provider reported that he held an immaterial investment in Transurban Group that he received through compulsory acquisition of Sydney Roads Group. This staff member was immediately removed from providing services to the Transurban Group and the investment was sold.

The matter was identified as part of our ongoing quality control system. All reasonable steps were undertaken to ensure that this matter was resolved as soon as possible. I report that all matters have been resolved, and in doing so do not believe this matter has impacted my objectivity and impartiality for the purpose of this audit.

This declaration is in respect of the Transurban Group and the entities it controlled during the year

**Tim Goldsmith**  
Partner

Melbourne  
21 August 2007

Liability limited by a scheme approved under Professional Standards Legislation.

# FINANCIALS

## Consolidated income statement for the period ended 30 June 2007

|  | <b>Consolidated<br/>2007<br/>\$</b> |
|--|-------------------------------------|
| <b>Revenue from continuing operations</b>  | 18,342                              |
| Expenses from ordinary activities  |                                     |
| Corporate costs  | (199,579)                           |
| Finance costs  | (15,909)                            |
| <b>Loss before income tax</b>  | <b>(197,146)</b>                    |
| Income tax expense   | -                                   |
| <b>Loss for the year</b>   | <b>(197,146)</b>                    |
| <b>Earnings per share for loss attributable<br/>to the ordinary equity holders</b> |                                     |
|  | <b>Cents</b>                        |
| Basic earnings per share   | (0.04)                              |
| Diluted earnings per share   | (0.04)                              |

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

## Consolidated balance sheet as at 30 June 2007

|                             | Consolidated<br>2007<br>\$ |
|-----------------------------|----------------------------|
| <b>Current Assets</b>       |                            |
| Cash and cash equivalents   | 18,803                     |
| Trade and other receivables | 15,507                     |
| Total Current Assets        | <b>34,310</b>              |
| <b>Total Assets</b>         | <b>34,310</b>              |
| <b>Current Liabilities</b>  |                            |
| Trade and other payables    | 223,148                    |
| Total Current Liabilities   | <b>223,148</b>             |
| <b>Total Liabilities</b>    | <b>223,148</b>             |
| <b>Net Liabilities</b>      | <b>(188,838)</b>           |
| <b>Equity</b>               |                            |
| Contributed equity          | 2                          |
| Reserves                    | 8,306                      |
| Accumulated losses          | (197,146)                  |
| <b>Total Equity</b>         | <b>(188,838)</b>           |

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



# FINANCIALS

## Consolidated statement of changes in equity for the period ended 30 June 2007

|  | <b>Consolidated<br/>2007<br/>\$</b> |
|--|-------------------------------------|
| <b>Total equity at the beginning of the financial period</b> | -                                   |
| Exchange differences on translation of foreign operations    | 8,306                               |
| Loss for the period  | (197,146)                           |
| <b>Total recognised income and expense for the period</b>    | <b>(188,840)</b>                    |
| Equity issue at time of incorporation                        | 2                                   |
| <b>Total equity at the end of the period</b>                 | <b>(188,838)</b>                    |

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

## Consolidated cash flow statement for the period ended 30 June 2007

|   | <b>Consolidated<br/>2007<br/>\$</b> |
|---|-------------------------------------|
| <b>Cash flows from operating activities</b>                   |                                     |
| Payments to suppliers (inclusive of GST)                      | (152,271)                           |
| Interest received   | 16,645                              |
| <b>Net cash (outflow) from operating activities</b>           | <b>(135,626)</b>                    |
| <b>Cash flows from financing activities</b>                   |                                     |
| Loans from related parties                                    | 1,164,757                           |
| Repayment of loans to related parties                         | (1,000,000)                         |
| <b>Net cash inflow from financing activities</b>              | <b>164,757</b>                      |
| <b>Net increase in cash held</b>                              | <b>29,131</b>                       |
| <b>Cash at the beginning of the financial period</b>          | <b>-</b>                            |
| Effects of exchange rate changes on cash and cash equivalents | (10,328)                            |
| <b>Cash at the end of the financial period</b>                | <b>18,803</b>                       |

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

# FINANCIALS

## Notes to the consolidated financial statements for the period ended 30 June 2007

### 1. Summary of significant accounting policies

This concise financial report relates to the consolidated entity consisting of Transurban International Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007. This financial report is the first for Transurban International Limited and as such there is no comparative information.

The presentation currency used in this concise financial report is Australian Dollars.

### 2. Segment information

The Company operates in Hamilton, Bermuda and one industry segment being the Holding entity of Transurban DRIVE Holdings LLC.

### 3. Revenue from continuing operations

|                      | Consolidated<br>2007<br>\$ |
|----------------------|----------------------------|
| <b>Other revenue</b> |                            |
| Interest             | 18,342                     |
|                      | <b>18,342</b>              |

### 4. Dividends

No dividends were paid or declared during the year.

### 5. Earnings per stapled security

|  |              |
|--|--------------|
| Basic earnings per share   | (0.04) cents |
| Diluted earnings per share   | (0.04) cents |
| Weighted average number of shares used in calculating basic earnings per share   | 456,052,370  |
| Weighted average number of shares and potential shares used (as denominator) in calculating diluted earnings per share | 456,052,370  |

### 6. Events occurring after balance sheet date

#### (a) Sale of Pocahontas Parkway group of assets and liabilities to Transurban DRIVE Holdings LLC

On 28 February 2007 a controlled entity announced its intention to sell the Pocahontas Parkway (Pocahontas) group assets and liabilities, in Richmond Virginia, USA, to Transurban DRIVE Holdings LLC (DRIVE Holdings).

On 27 June 2007, DRIVE Holdings was incorporated as a wholly owned subsidiary of the Group with a view to immediate resale to parties external to the Transurban Group, after acquisition of Pocahontas by DRIVE Holdings. At balance date, the sale of Pocahontas and the sale of DRIVE Holdings had not occurred. On 21 August 2007, Transurban and Capital Partners reached agreement to co-invest in the USA privately financed toll road market through DRIVE. Transurban's initial interest will be 75 per cent with Capital Partners taking 25 per cent. As a result of this transaction the Pocahontas Parkway will be sold into Transurban DRIVE Holdings LLC for USD \$236.0 million.

#### (b) TIFIA loan for Pocahontas Parkway, US

On 19 July 2007, Transurban signed an agreement with the United States Federal Highways Administration (FHWA) for a United States federal government loan to support the funding for the construction of a direct link between the Richmond International Airport and the Pocahontas Parkway.

Under the agreement FHWA will provide Transurban with a USD \$150.0 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. The loan will assist Transurban with construction of the Richmond Airport Connector and refinance a portion of existing project debt.

On 20 August 2007, Transurban received USD \$97.8 million to allow for the refinance of existing debt.

### 7. Intra-group guarantees

As at 30 June 2007, the Transurban Group comprises Transurban Holdings Limited, Transurban Holdings Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security.

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

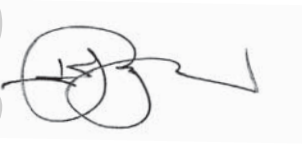
## Directors' declaration

The directors declare that in their opinion, the concise financial report of the consolidated entity for the period ended 30 June 2007 as set out on pages 84 to 88 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The concise financial report is an extract from the full financial report for the period ended 30 June 2007. The financial statements and specific disclosures included in the financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

This declaration is made in accordance with a resolution of the directors.



**David J Ryan AO**  
Chairman



**Kimberley Edwards**  
Managing Director

Melbourne  
21 August 2007

## Independent audit report to the members



PricewaterhouseCoopers  
ABN 52 780 433 757

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DX 77  
Website: [www.pwc.com/au](http://www.pwc.com/au)  
Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999

### Independent audit report to the members of Transurban International Limited

#### Audit opinion

In our opinion, the concise financial report of Transurban International Limited for the period ended 30 June 2007 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

#### Scope

##### The concise financial report and directors' responsibility

The concise financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the financial statements, and the directors' declaration for Transurban International Limited (the Company) for the period ended 30 June 2007.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

##### Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We also performed an independent audit of the full financial report of the company for the financial period ended 30 June 2007. Our audit report on the full financial report was signed on 21 August 2007 and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

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We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, and other disclosures in the concise financial report which were not directly derived from the full financial report.

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

  
PricewaterhouseCoopers

  
Tim Goldsmith  
Partner

Melbourne  
21 August 2007

# FINANCIALS

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## Enquiries and information

### Enquires about your Transurban stapled securities

The Stapled Securities Register is maintained by Computershare Investor Services Pty Limited.

If you have a question about your Transurban securities or distributions please contact:

#### Computershare

Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
GPO Box 2975  
Melbourne Victoria 3001  
Telephone 1300 360 146 (within Australia)  
Telephone +61 3 9415 4000 (outside Australia)  
Facsimile +61 3 9473 2500  
web.queries@computershare.com.au  
www.computershare.com

### Enquiries about Transurban

Head of Investor Relations  
Transurban Group  
Level 43, Rialto South Tower  
525 Collins Street  
Melbourne Victoria 3000  
Australia  
Telephone +61 3 9612 6999  
Facsimile +61 3 9649 7380  
corporate@transurban.com  
www.transurban.com

### Removal from mailing list

Security holders can nominate not to receive a copy of the Financial Statements document by written notice to the Stapled Securities Register. All security holders will continue to receive this annual review and other shareholder information, including the Notice of Annual General Meeting and proxy form.

### Finsbury Green Printing

Printed by Finsbury Green Printing, Australia's leading environmental printer.

Finsbury uses vegetable based inks (key components are soya and linseed oil), which are made from renewable sources. This paper is certified by the Forest Stewardship Council and carries the FSC trademark, the international benchmark for sustainable paper. This paper is produced using 80% post consumer recycled content and 20% FSC certified fibre from softwood grown specifically for paper production, and is elemental chlorine free. Finsbury has used no isopropyl alcohol and no solvent based cleaning products in the printing of this brochure, consequently contributing to a reduction in greenhouse gas emissions. Finsbury is Australia's only carbon neutral printer and operates under world best practice systems (ISO14001:2004 Environmental Management System and ISO9001:2000 Quality Management System).



### Mixed Sources

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