

ASX Release

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18 August 2010

CONNECTEAST GROUP – RESULTS FOR YEAR ENDED 30 JUNE 2010 ONGOING TRAFFIC AND REVENUE GROWTH, REDUCTION IN COSTS

ConnectEast Group (ASX: CEU), the owner and operator of the EastLink tollway in Melbourne, presents its results for the year ended 30 June 2010 together with an update on current operational performance.

Financial Highlights

- **Toll and fee revenue growing** – EastLink's total revenue for FY10 of \$189.7m increased significantly against \$140.8 million for FY09 (11 months).⁽¹⁾
- **Ongoing cost reduction** – \$7.1m cost savings realised in FY10. Further cost savings are expected based on technical enhancements, operational efficiencies and system stability.
- **Benefits of operating leverage being realised** - Cost per trip dropped by 25.6% due to increasing traffic volumes coupled with reductions in operating costs.
- **EBITDA (before repairs & maintenance provision) of \$111.3 million** – Traffic growth and reduced operating costs increased EBITDA by 103%, from \$55.3m in FY09.
- **Operating cashflow positive** – Significant milestone achieved with our transition to positive operating cashflow in the second quarter of FY10; growing traffic on a declining cost base is resulting in high cash conversion.
- **Deleveraged balance sheet** – Following the early repayment of debt, ConnectEast has a robust capital structure, with no refinancing required until late 2012.

Operational Highlights

- **One of Australia's safest roads** – EastLink's high quality design and construction, supported by proactive traffic and incident management, continue to deliver a very safe journey with minimal traffic disruptions for motorists.

⁽¹⁾ Tolling commenced 27 July 2008.

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- **Traffic ramp-up** – 15.4% year-on-year growth in average daily trips when compared to the prior comparative period ⁽²⁾.
- **Capture of corridor traffic growth** – Traffic volumes in Melbourne's east and south-east regions grew through FY10, with EastLink attracting a high proportion of this growth.
- **Expanding customer base** – More than 240,000 customer accounts have been opened and more than 370,000 tags are now active (with around 5,000 accounts still being opened each month).
- **Revenue growth initiatives** – Fee revenue rose due to an increase in toll invoice billing frequency. Targeted marketing programs aimed at increasing EastLink usage have been trialled and outdoor advertising signs installed.
- **Option value for EastLink** – Several road projects provided for in the Victorian Government's Transport Plan, such as the 27km untolled Peninsula Link, will enhance EastLink's connectivity. Peninsula Link will connect to the southern end of EastLink and is expected to open by early 2013.

ConnectEast Managing Director, Dennis Cliche, said that EastLink's traffic growth, combined with the Group's ongoing cost efficiencies, had established a robust foundation for the longer term.

"EastLink is a world class infrastructure asset which is operating to a very high standard, and ConnectEast is matching this performance through our cost reduction measures and proactive management of our capital structure," Mr Cliche said.

"We are seeing the benefits of operating leverage continuing to produce results, with our cost per trip dropping sharply from \$1.72 in FY09 to \$1.28 in FY10.

"In addition, we are looking to achieve further cost savings. A major upgrade to our image processing system will reduce manual processing requirements, and technical improvements to our web and contact centre channels will increase customer usage of self service options."

⁽²⁾ Tolling commenced 27 July 2008. Traffic comparison period is 27 July to 30 June in each year.

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Mr Cliche said that the alliance contract signed with Transfield Services, EastLink's operations and maintenance contractor, was delivering the anticipated savings of \$3m per annum, and the final bedding down of the tolling system would enable support costs to be reduced in the future.

"It is also encouraging to see the increase in overall corridor traffic, with EastLink taking up a major share of that growth. Future traffic growth will be sensitive to economic conditions, but our ongoing focus on reducing operating costs will enable ConnectEast to benefit fully from our operating leverage," Mr Cliche said.

Future Distributions

Subject to the ongoing and prudent management of the Group's financial position, ConnectEast's distribution policy is as follows:

- Distribution periods end on 31 December and 30 June each year
- Distributions will be aligned with operating cashflow and with progressive release of surplus cash reserves
- The next distribution is expected to be declared in February 2011 on release of the Group's half year results for the period ending 31 December 2010
- Six monthly distributions are anticipated at a minimum of 1 cent per unit
- Distributions in FY11 are expected to be partially tax deferred.

Financial Report and Appendix 4E

The Financial Report and Appendix 4E of the ConnectEast Group are attached.



Tony Hudson
Company Secretary
ConnectEast Group

ConnectEast Group
Results for Announcement to the Market
Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2010

Key Information

	Year Ended 30 June			
	2010 \$'000	2009 \$'000	Movement \$'000	
Revenue from continuing operations	201,621	168,846 ⁽¹⁾	Increased	32,775
Loss from ordinary activities after tax	(53,638)	(531,585) ⁽²⁾	Loss Reduced	477,947
Net loss attributable to unitholders	(53,638)	(531,585) ⁽²⁾	Loss Reduced	477,947

⁽¹⁾ Includes construction revenue of \$5.8m recognised in accordance with AASB-I 12 and nets off with a corresponding construction cost with nil impact on Net Loss.

⁽²⁾ Includes \$400m impairment of the EastLink Concession.

Net Asset Backing*

	2010 \$	2009 \$
Net asset backing per security	0.47	0.59

* Net asset backing is shown as ConnectEast's major asset, the EastLink Concession, is classified as an intangible asset


Distributions

As previously announced distributions will be aligned with the company's interim and annual reporting periods with no distribution to be paid for the period ended 30 June 2010. The next distribution is expected to be for the period ending 31 December 2010 to be paid shortly after the release of the interim result. Distributions for the year ending 30 June 2011 are expected to be partially tax deferred.

	Payment Date	Amount per Security	Tax deferred position
For the six months to 31 March 2010	23 April 2010	1.00 cent	1.00 cent
For the six months to 30 September 2009	26 October 2009	1.00 cent	1.00 cent
For the six months to 31 March 2009	1 May 2009	1.00 cent	1.00 cent

Further Information

For an explanation of the figures above please refer to the announcement, including the audited Financial Statements, on the results for the year ended 30 June 2010. The comments should be read in conjunction with the details and explanations provided herewith.


 Tony Hudson
 Company Secretary
 18 August 2010



ConnectEast Investment Trust Group

ABN 54 979 279 220

Financial Report Year Ended 30 June 2010

ConnectEast Management Limited (CEML) ABN 68 071 292 647 / AFSL 254 959 is the responsible entity for ConnectEast Investment Trust (CEIT) ARSN 110 713 481 and its controlled entities and ConnectEast Holding Trust (CEHT) ARSN 110 713 614 and its controlled entities (collectively, ConnectEast Group). CEML is incorporated in Australia and its registered address is 2 Hillcrest Avenue, Ringwood, Victoria 3134.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation or particular needs of any investor. Before making an investment in ConnectEast Group, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment objectives, financial situation and needs and consult an investment adviser if necessary.

The ConnectEast Investment Trust Group financial report has been prepared to enable ConnectEast Management Limited as responsible entity to comply with its obligations under the Corporations Act 2001 to ensure compliance with ASX Listing Rules and satisfy the requirements of the Australian accounting standards in relation to stapled structures. The responsibility for preparation of the financial report and any financial information contained in this financial report rests solely with the directors of ConnectEast Management Limited. The financial report was authorised for issue by the directors on 17 August 2010. CEML has the power to amend and re-issue the financial report. The financial report is presented in Australian currency.

ConnectEast Investment Trust Group

Directors' Report

Directors' Report

In respect of the year ended 30 June 2010, the Directors of ConnectEast Management Limited (CEML) (ABN 68 071 292 647 / AFSL 254 959), being the Responsible Entity of ConnectEast Investment Trust (CEIT) and ConnectEast Holding Trust (CEHT) submit the following Directors' Report on the financial report of ConnectEast Investment Trust and its controlled entities (the Group).

The units of CEIT and CEHT are stapled together and quoted as one on the Australian Securities Exchange.

The Group financial statements reflect the aggregation of the consolidated financial statements of CEIT and CEHT. For statutory reporting purposes, in accordance with AIFRS, specifically the requirements of AASB 3 *Business Combinations*, CEIT has been identified as the acquirer in the Stapled Group based on the size of its net assets and its operations and accordingly, it presents the consolidated financial report of the Stapled Group.

Directors

The following persons were Directors of the Responsible Entity during the year and up to the date of this report:

- Anthony Shepherd (Chairman)
- Dennis Cliche (Managing Director, appointed 19 November 2009)
- Bruce Beeren
- Paul Douglas (appointed 22 December 2009)
- Jim Hall
- Dr Max Lay AM
- Mark Snape
- Mark Lynch (Alternate to Mark Snape)
- Yvonne von Hartel AM
- John Gardiner (resigned 19 November 2009)

Principal Activities

In October 2004, ConnectEast Group was awarded the concession to finance, design, build, maintain and operate the EastLink Tollway, which comprises approximately 39km of tolled freeway-standard road connecting Melbourne's eastern and south-eastern suburbs. The tollway opened toll-free for public use on 29 June 2008, and tolling commenced on 27 July 2008. The concession expires on 30 November 2043.

Distributions

Two distributions were made by ConnectEast Investment Trust during the year ended 30 June 2010 of an aggregate of 2.0 cents per stapled unit totalling \$64,263,240. Distributions were paid on 26 October 2009 and on 23 April 2010 in cash and by the issue of units pursuant to the Distribution Reinvestment Plan. Refer to Note 21 for further details.

Review of Operations

During the year, the Group's underlying business performed well, with traffic on EastLink growing steadily and substantially in line with the independent forecasts obtained in August 2009 from the Group's traffic consultants, IMIS (Integrated Management Information Systems Pty Ltd). Average Daily Revenue increased by 20.2% in the period 27 July 2009 to 30 June 2010 compared to the corresponding period in the previous year. Tolling on EastLink commenced on 27 July 2008. The Group has commenced trials of a number of marketing incentive offers with a view to supplementing EastLink's continuing natural traffic ramp-up.

A focus on cost management has seen the increase in variable costs associated with EastLink's traffic growth offset by cost reduction initiatives. The benefits of operating leverage enabled a 25.6% reduction in the cost per trip to \$1.28 over the year. Projects completed during the year included the re-negotiation of the operation and maintenance agreement with Transfield Services to establish an alliance structure. This resulted in annual operating cost savings of \$1.5 million in the six months to 30 June 2010 compared to the previous fixed price contract and similar savings are expected in future years. Planned improvements to EastLink's image processing system are under development and are also expected to produce cost savings in the new financial year.

ConnectEast Investment Trust Group

Directors' Report

Review of Operations (continued)

The \$421 million renounceable rights issue conducted in August 2009 enabled the Group to repay in full tranche A of the Group's debt. ConnectEast now has a robust and sustainable capital structure, with its next refinancing not due until late 2012 when it is expected EastLink's traffic ramp-up will be complete. The Group produced positive cash flow in the second half of the financial year. This is expected to enable the Group to commence paying distributions from operating cash flow (and surplus cash reserves) from the end of the 2010 calendar year.

Settlement during the year of Supreme Court litigation arising out of the EastLink construction contract resolved a risk for the Group and released management to focus fully on driving EastLink's performance. Amendments to the EastLink Concession Deed negotiated with the State have clarified the basis for assessment of ConnectEast's performance under the KPI regime in the Deed. No KPI credits were incurred during the year.

Total revenue from continuing operations was \$201.6 million (June 2009: \$168.8 million) of which \$189.7 million (June 2009: \$140.9 million) represents tolling revenue and associated fee income. Net loss attributable to unitholders was \$53.6 million (June 2009: net loss \$531.6 million, including an impairment of assets of \$404.9m).

Significant Changes in State of Affairs

During the year to 30 June 2010, the following units were issued by the Group:

	Number of stapled units
Opening balance – 1 July 2009	2,553,238,059
Issue of units under institutional pro-rata entitlement offer (9 September 2009)	925,648,052
Issue of units under early retail pro-rata entitlement offer (9 September 2009)	10,221,864
Issue of units under retail pro-rata entitlement offer (5 October 2009)	340,743,084
Issue of units under Distribution Reinvestment Plan (26 October 2009)	43,234,870
Issue of units under Distribution Reinvestment Plan (23 April 2010)	67,060,022
Closing balance – 30 June 2010	3,940,145,951

Matters Subsequent to the End of the Financial Year

In the opinion of the directors, no matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the Group and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Group.

ConnectEast Investment Trust Group

Directors' Report

Information on Directors and Company Secretary

Information relating to current Directors' qualifications, experience and special responsibilities are set out on pages 4 to 6.

Anthony Shepherd, BCom

Chairman

Appointed 28 September 2004.

Independent Non-executive Director.

Member of the Human Resources Committee.

Chairman of the Nomination Committee.

Experience and Expertise

Tony Shepherd is currently Chairman of Transfield Services Limited and a Trustee of the Sydney Cricket Ground Trust. Tony is also a director of the Australian Chamber Orchestra. Tony is Chairman Elect of Team GWS the new AFL Club in Western Sydney. As an executive of the Transfield Holding Group in the 1980s and 1990s, he was responsible for the development of the Sydney Harbour Tunnel project and Transfield's successful tender for the ANZAC Warship Project. He was Chief Executive Officer of the Project Development Division at Transfield Holdings Group from 1992 to 2001. In this position, Tony was responsible for the Melbourne CityLink project, as well as a number of other build-own-operate-transfer projects and the development of Walsh Bay. Tony was formerly a non-executive director of Transurban for its initial flotation.

Dennis Cliche, BEng, MBA

Managing Director.

Appointed 19 November 2009.

Member of the Safety Committee.

Member of the Community Investment Committee.

Dennis Cliche joined ConnectEast from Yarra Trams, where he held the position of Chief Executive Officer since September 2005. He was formerly the company's Deputy Chief Executive Officer and Chief Operating Officer from 2003. Dennis holds a Bachelor of Engineering from McGill University in Montreal, Canada and a Master of Business Administration from Concordia University. He started his business career with Air Liquide Canada and spent 22 years in a variety of executive, sales and technical roles in Canada, France and Australia. During this time Dennis' responsibilities included national sales and marketing and also Group level strategy on information systems and IT infrastructure. In May 1998 he was appointed Managing Director of the Australian subsidiary of Air Liquide in Melbourne, a position he held for five years. Throughout this period Dennis drove significant change across the business and saw profits and sales progressively rise. He also established an impressive internal safety record for the business and launched a number of human resources initiatives. Dennis joined Transdev, SA in May 2003 and was seconded to the Yarra Trams executive team in July 2003.

Bruce Beeren, BSc, BCom, MBA, FCPA, FAICD

Independent Non-executive Director.

Appointed 31 March 2009.

Chairman of the Human Resources Committee.

Member of the Audit, Risk & Compliance Committee.

Member of the Nomination Committee.

Experience and Expertise

Bruce has extensive experience as a non-executive director on listed companies boards in Australia and New Zealand and as a non-executive member of listed companies audit committees. He has also been a member of senior executive teams of major listed companies, working in executive roles for AGL (CFO), AGL Pipelines (General Manager), VENCORP (CEO) and Origin Energy Limited (Finance Director). Bruce is a non-executive director of Origin Energy Limited (since 2005 - formerly executive director from 2000 to 2005), Contact Energy Limited (since October 2004), Coal & Allied Industries Limited (since July 2004) and Equipsuper Pty Limited (since August 2002). He is a former director of Envestra Limited (2000-2007) and Baycorp Advantage Limited (2004-2007). Bruce has been a fellow of CPA Australia for more than 20 years.

ConnectEast Investment Trust Group

Directors' Report

Information on Directors of Responsible Entity (continued)

Paul Douglas, BE(Chem), M.ENGSc, FAICD, HonFIEAust

Independent Non-Executive Director.
Appointed 22 December 2009.
Member of the Human Resources Committee.
Member of the Safety Committee.

Experience and Expertise

Paul Douglas has an impressive record as a business leader and innovator. He has been Chief Executive Officer and Managing Director of engineering, services and project delivery practice, Sinclair Knight Merz (SKM), since 1996, and is responsible for leading the Group globally and managing the firm's strategic direction. He has completed the AICD Company Directors Course and is a Fellow of the AICD. Paul has completed a degree in Chemical Engineering, Master of Engineering Science and Harvard University's Owner / President Management Program at its Graduate School of Business Administration. In addition, he was the Inaugural Chairman of the Centre for Engineering Leadership and Management, and takes a particular interest in workplace safety, youth training employment and the environment. He has worked in various roles with SKM since 1978 and before that was with the Melbourne and Metropolitan Board of Works.

Jim Hall, BCom, FCPA, MAICD

Independent Non-executive Director.
Appointed 9 June 2005.
Chairman of Audit, Risk & Compliance Committee.
Member of the Nomination Committee.

Experience and Expertise

Jim is a non-executive director of Paperlinx Limited, Alesco Limited, Centro Properties Limited, Centro Retail Limited and a member of the JPMorgan Advisory Council. From May 2005 to February 2008 he was also a non-executive director of Symbion Health Limited. Jim was Executive Director Finance at Orica from January 2002 until April 2005. Prior to joining Orica, he was Vice President, Group Accounting and Controller at BHP Billiton Limited. In 32 years with BHP, Jim held a range of senior financial management roles.

Dr Max Lay AM, PhD, BCE, MEngSc, FTSE, HonFIE Aust

Independent Non-executive Director.
Appointed 28 September 2004.
Member of the Audit, Risk & Compliance Committee.
Chairman of the Safety Committee.

Experience and Expertise

Max Lay has had a distinguished career spanning both civil and transport engineering. Max held the role of executive director of the Australian Road Research Board from 1975 to 1988 until he joined VicRoads, where he held the positions of director of quality and technical resources from 1988 to 1994 and then director of major projects from 1994 until 1996. These duties included major planning and review roles leading up to the selection of the successful concessionaire for the Melbourne CityLink project. Max was then appointed under the Melbourne CityLink Act as the independent reviewer on the Melbourne CityLink project, operating in that role from 1996 to 2003. Max has had a longstanding involvement with the RACV, having been a director from 1986 to 2008, vice-president and deputy chairman from 1995 to 1999 and president from 1999 to 2002. He was also president of the Australian Automobile Association from 2000 to 2002. The 4th edition of his international textbook, Handbook of Road Technology, was published in England in 2009.

ConnectEast Investment Trust Group

Directors' Report

Information on Directors of Responsible Entity (continued)

Mark Snape, BEc, MBA, ACA, FAICD

Non-executive Director.
Appointed 26 August 2008.
Member of the Audit, Risk & Compliance Committee
Member of the Human Resources Committee

Experience and Expertise

Mark is Corporate General Manager, Infrastructure Finance and Investment for the John Holland Group, with responsibility for managing the Group's equity positions. Mark has considerable experience in large scale infrastructure development and project financing. In addition to ConnectEast he is a director of the BrisConnections Group of Companies, Connector Motorways Group and Metro Trains Melbourne Pty Limited. He is a past director of, Asia Pacific Transport Pty Limited, Pacific Hydro Limited, Southern Hydro Pty Limited and AEP Resources Australia Pty Limited. Before joining John Holland Group, Mark held various senior management positions including as Managing Director Asia Pacific for American Electric Power Co. Inc., Director Deloitte Corporate Finance, Director County Natwest Corporate Finance and Director BZW Corporate Finance.

Yvonne von Hartel AM, BArch (Hons) LFAIA

Independent Non-executive Director.
Appointed 7 February 2005.
Chair of the Community Investment Committee.
Member of the Safety Committee.

Experience and Expertise

Yvonne von Hartel is a founding Principal of the award winning national architectural and urban design practice, peckvonhartel. She has served as the chair of the Victorian Design Advisory Council from 2002 to 2004 and as a director of the Tourism and Transport Forum from 2001 to 2004. Yvonne is Chair of the Sustainability in Buildings Standards Coordination Group of Standards Australia and a Trustee of the Melbourne Convention and Exhibition Centre. Yvonne was awarded a Member of the Order of Australia in the General Division in the Queen's Birthday Honours, 2007.

Mark Lynch, BSc, LLB (Hons), LLM, MAICD

Alternate Non-executive Director to Mark Snape.
Appointed 30 October 2008.

Experience and Expertise

Mark is Executive General Manager, Strategy & Development for Thiess Pty Limited, with responsibility for the Thiess Group's project investments and its strategic development and project finance activities. Mark has considerable experience in large scale infrastructure development and project financing as a lawyer and also as a director of companies involved in the development or operation of major infrastructure projects including Aquasure, the concessionaire for the Victorian Desalination Project, and is an alternate director of ConnectEast and BrisConnections. He is also a director of Perth based engineering consultancy ProMet Engineers.

Company Secretary

The Company Secretary is:

Mr Tony Hudson LLB, BCom, Grad Dip App Corp Gov, MAICD, ACIS

Tony Hudson is the Company Secretary and General Counsel of ConnectEast Group. Before joining the Group in August 2005, Tony was a partner for nine years in the national commercial law firm, Blake Dawson.

Directors' Meetings

The number of meetings of ConnectEast Group's Board of Directors and of each Board committee held during the year ended 30 June 2010, and the number of meetings attended by each Director are set out on the following page:

ConnectEast Investment Trust Group

Directors' Report

	Full Meetings of Directors		Meetings of Audit, Risk & Compliance Committee		Meetings of Human Resources Committee		Meetings of Safety Committee		Meetings of Nomination Committee		Meetings of Community Investment Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Anthony Shepherd	9	10	2	*	7	7	1	*	2	2	*	*
Dennis Cliche+	6	6	3	*	4	*	2	2	*	*	1	1
Bruce Beeren	10	10	6	7	7	7	*	*	2	2	*	*
Paul Douglas ^{&}	5	5	1	*	3	3	2	2	*	*	*	*
Jim Hall	10	10	7	7	*	*	1	*	2	2	*	*
Dr Max Lay AM	10	10	7	7	*	*	4	4	*	*	*	*
Mark Snape	9	10	4	7	6	7	*	*	*	*	*	*
Yvonne von Hartel AM	9	10	1	*	*	*	3	4	*	*	2	2
Mark Lynch	1	1	1	1	-	-	-	-	-	-	-	-
John Gardiner [^]	4	4	4	*	3	*	2	2	*	*	1	1

A Number of meetings attended.

B Number of meetings held which the Director was eligible to attend.

- Not eligible to attend.

* Not a member of the relevant committee.

+ Dennis Cliche became a director of the Responsible Entity on 19 November 2009, and as Managing Director of the Group, is a director of all other companies in ConnectEast Group.

& Paul Douglas became a director on 22 December 2009.

^ John Gardiner resigned as a director on 19 November 2009.

Retirement, Election and Continuation in Office of Directors

The Group's constitution requires directors to retire by rotation after no more than three years with at least one director to retire each year. The Group's Managing Director is not subject to the requirement to retire by rotation.

Indemnification and Insurance of Directors, Officers and Auditor

No insurance premiums are paid for out of the assets of the Group in regard to insurance cover provided to the auditor of the Group. The Auditor is indemnified by the Group against claims from third parties arising from the provision of audit services except where prohibited by the Corporations Act 2001, or due to negligence, fraudulent conduct, dishonesty or breach of trust by the auditor.

During the year ConnectEast Pty Limited has paid an insurance premium to insure directors and officers of the company against certain liabilities. The insurance contract prohibits disclosure of the nature of the insurance cover and the amount of the premium paid.

The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors or officers in their capacity as directors or officers of entities in the Group, and any other payments arising from liabilities incurred by the directors or officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the directors or officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

Fees Paid to the Responsible Entity and Associates

Fees paid by ConnectEast Pty Limited, a controlled entity of the Group, to the Directors of ConnectEast Management Limited are disclosed in Note 22.

Interests in the Group held its directors are disclosed in Note 22.

Environmental Regulation and Performance

The operations of EastLink are required to comply with various Acts, including the Victorian Environment Protection Act under which a *Waste Discharge Licence* (that covers tunnels operations) has been issued, and the Commonwealth Environment Protection and Biodiversity Conservation Act.

An Environmental Management Plan has been created and implemented by the Group through its principal contractor Transfield Services Limited. The Environmental Management Representative of the Group audits and inspects the maintenance of the EastLink road reservation in line with this Plan.

During the year, the Group was not served with any State or Federal environmental notices of infringement, pollution abatement notices or any other environmental regulatory sanction.

ConnectEast Investment Trust Group

Directors' Report

Non-audit Services

In accordance with the Group's Auditor Independence Policy, the Group will obtain non-audit services from the external auditor only where the expertise and the experience of the external auditor in relation to the Group are useful to the provision of those services, and provision of those services will not adversely affect the professional integrity, objectivity and independence of the external auditor in relation to its audit of the Group.

The Directors have considered the position and, in accordance with the advice received from the Audit, Risk & Compliance Committee, are satisfied that the provision by the auditors of those 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 by the auditor of the non-audit services, set out below did not contravene the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved by the Audit, Risk & Compliance Committee to ensure they do not affect the independence, integrity and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the Group, PricewaterhouseCoopers Australian firm:

	2010 \$'000	2009 \$'000
Audit services		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	450	517
Other Services		
Related practices	7	35
	457	552

Value of Scheme Assets

At 30 June 2010, ConnectEast Investment Trust Group had total assets of \$3,200.9 million and equity of \$1,857.9 million.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding of Amounts in the Directors' Report and the Financial Report

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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 of ConnectEast Management Limited.



Anthony F Shepherd
Director

Melbourne
17 August 2010

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Auditor's Independence Declaration

As lead auditor for the audit of ConnectEast Investment Trust for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ConnectEast Investment Trust and the entities it controlled during the period.



Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
17 August 2010

ConnectEast Investment Trust Group
Financial Report

Income Statement
For the year ended 30 June

		Consolidated	
		2010	2009
	Notes	\$'000	\$'000
Revenue from continuing operations	4	201,621	168,846
Tolling and customer services expenses		(43,986)	(45,794)
Roadside operations		(18,077)	(20,161)
Administrative expenses		(16,384)	(19,559)
Construction costs		-	(5,803)
Repairs and maintenance	15	(6,656)	(5,641)
Impairment of assets	5	-	(404,875)
Depreciation and amortisation	5	(99,134)	(112,263)
Finance costs	5	(130,004)	(175,825)
Operating Loss before Income Tax Attributable to Unitholders		(112,620)	(621,075)
Income tax benefit	7	58,982	89,490
Net Loss Attributable to Unitholders		(53,638)	(531,585)
		Cents	Cents
Earnings Per Stapled Unit for Loss Attributable to Unitholders			
Basic earnings per stapled unit	30	(1.49)	(25.43)
Diluted earnings per stapled unit	30	(1.49)	(25.43)

The above Income Statement should be read in conjunction with the accompanying notes.

ConnectEast Investment Trust Group
Financial Report

Statement of Comprehensive Income
For the year ended 30 June

		Consolidated	
	Notes	2010 \$'000	2009 \$'000
Net Loss Attributable to Unitholders		(53,638)	(531,585)
Other Comprehensive Income			
Changes in the fair value of cash flow hedges	19	(8,839)	(195,248)
Amortisation of cash flow hedge	19	11,762	11,736
Hedge ineffectiveness	19	14,362	13,070
Other comprehensive income for the year, net of tax		17,285	(170,442)
Total Comprehensive Loss for the Year		(36,353)	(702,027)
Total comprehensive loss for the year is attributable to:			
Owners of ConnectEast Investment Trust		(36,353)	(702,027)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

ConnectEast Investment Trust Group
Financial Report

Statement of Financial Position

As at 30 June

		Consolidated	
	Notes	2010 \$'000	2009 \$'000
Current Assets			
Cash and cash equivalents	8	170,221	623,866
Trade and other receivables	9	14,527	16,596
Total Current Assets		184,748	640,462
Non-Current Assets			
Plant, equipment and tags	10	10,831	10,801
Intangible assets	11	2,810,988	2,873,253
Other deferred costs	12	35,252	49,955
Deferred tax assets	13	159,040	100,021
Total Non-Current Assets		3,016,111	3,034,019
Total assets		3,200,859	3,674,481
Current Liabilities			
Trade and other payables	14	25,732	27,257
Provisions	15	23,108	40,500
Total Current Liabilities		48,840	67,757
Non-Current Liabilities			
Derivative financial instruments	16	50,530	68,180
Provisions	15	29,196	5,641
Borrowings	17	1,214,400	2,024,000
Total Non-Current Liabilities		1,294,126	2,097,821
Total Liabilities		1,342,966	2,165,578
Net Assets		1,857,893	1,508,914
Equity			
Unitholder funds	18	2,529,773	2,144,441
Reserves	19	(77,322)	(94,607)
Retained losses	20	(594,558)	(540,920)
Total Equity		1,857,893	1,508,914

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

ConnectEast Investment Trust Group
Financial Report

Statement of Changes in Equity
For the year ended 30 June

	Contributed Equity \$'000	Reserves \$'000	Retained Losses \$'000	Total Equity \$'000
Balance at 1 July 2008	1,730,922	75,835	(9,335)	1,797,422
Loss for the year	-	-	(531,585)	(531,585)
Changes in fair value of cash flow hedges	-	(195,248)	-	(195,248)
Hedge ineffectiveness transferred to Statement of Comprehensive Income	-	12,123	-	12,123
Amortisation of cash flow hedges	-	12,683	-	12,683
Total comprehensive loss for the year	-	(170,442)	(531,585)	(702,027)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	522,786	-	-	522,786
Distributions	(107,933)	-	-	(107,933)
Amortisation of deferred financing costs	(1,334)	-	-	(1,334)
	413,519	-	-	413,519
Balance at 30 June 2009	2,144,441	(94,607)	(540,920)	1,508,914
Loss for the year	-	-	(53,638)	(53,638)
Changes in fair value of cash flow hedges	-	(8,839)	-	(8,839)
Hedge ineffectiveness transferred to Statement of Comprehensive Income	-	14,362	-	14,362
Amortisation of cash flow hedges	-	11,762	-	11,762
Total comprehensive profit/(loss) for the year	-	17,285	(53,638)	(36,353)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	450,928	-	-	450,928
Distributions	(64,263)	-	-	(64,263)
Amortisation of deferred financing costs	(1,333)	-	-	(1,333)
	385,332	-	-	385,332
Balance at 30 June 2010	2,529,773	(77,322)	(594,558)	1,857,893

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ConnectEast Investment Trust Group
Financial Report

Cash Flow Statement

For the year ended 30 June

		Consolidated	
	Notes	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities			
Receipts from customers		207,902	147,129
Payments to suppliers and employees		(94,002)	(91,798)
		113,900	55,331
Interest received		11,438	21,512
Financing costs paid		(106,908)	(144,905)
Interest rate swap break costs		(26,488)	-
Net Cash Outflow from Operating Activities	29	(8,058)	(68,062)
Cash Flows from Investing Activities			
Payments for Plant, equipment and tags		(771)	(4,295)
Payments for intangible assets		(21,881)	(135,018)
Acquisition of Responsible Entity		-	(4,875)
Net Cash Outflow from Investing Activities		(22,652)	(144,188)
Cash Flows from Financing Activities			
Proceeds from issue of units	18	421,282	482,438
Equity raising costs	18	(13,082)	(18,373)
Proceeds from borrowings		-	119,000
Repayment of borrowings	17	(809,600)	(4,000)
Distributions paid to unitholders	21	(21,535)	(49,212)
Net Cash (Outflow) / Inflow from Financing Activities		(422,935)	529,853
Net (Decrease) / Increase in Cash and Cash Equivalents		(453,645)	317,603
Cash and cash equivalents at the beginning of the financial year		623,866	306,263
Cash and Cash Equivalents at the End of the Financial Year	8	170,221	623,866

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of this report.

(a) Basis of Preparation

This general purpose financial report for the year ended 30 June 2010 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the requirements of the Trust Constitutions and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Group financial statements and notes comply with IFRS.

Historical Cost Convention

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the profit and loss.

Critical Accounting Estimates

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Principles of Consolidation

(i) Stapling

The units of ConnectEast Holding Trust and ConnectEast Investment Trust (collectively ConnectEast Investment Trust Group) are combined and issued as stapled units on the Australian Securities Exchange. The units of the Trusts cannot be traded separately and can only be traded as stapled units.

The Group financial statements reflect the aggregation of the consolidated financial statements of CEIT and CEHT. For statutory reporting purposes, in accordance with AIFRS, specifically the requirements of AASB 3 *Business Combinations*, CEIT has been identified as the acquirer in the Stapled Group based on the size of its net assets and its operations and accordingly, it will present the consolidated financial report of the Stapled Group.

(ii) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2010 and the results of all subsidiaries for the year then ended. CEIT and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding / unitholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(f)).

Investments in subsidiaries are accounted for at cost. Such investments include both investments in units issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include amounts receivable from subsidiaries in the normal course of business, all of which are included in other receivables.

ConnectEast Investment Trust Group

Financial Report

1. Summary of Significant Accounting Policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Service Concession Arrangements

In November 2004 the Group entered into a service concession arrangement with the State of Victoria to finance, design, construct and operate EastLink in return for a right to charge tolls over the life of the Concession, which runs to 2043.

AASB Interpretation 12 *Service Concession Arrangement* (AASB-I 12) provides guidance on the accounting by operators of public-to-private service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services. A substantial portion of the Group's assets are used within the framework of concession arrangements granted by public sector entities. AASB-I 12 has been applied from 1 July 2008.

In addition to the adoption of AASB-I 12 the Group has also applied AASB Interpretation 129 *Service Concession Arrangement: Disclosures* from 1 July 2008. AASB-I 129 contains specific guidance on the disclosures required for a Service Concession Arrangement, details of which can be found in Note 11.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of trade allowances and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

- (i) *Toll and fee revenue*
Toll charges and related fees are recognised when the charge is incurred by the user.
- (ii) *Other revenue*
Other revenue is recognised when the services are rendered or in accordance with contractual arrangements.
- (iii) *Interest income*
Interest income is recognised on a time proportion basis using the effective interest method.
- (iv) *Prepaid toll revenue*
Prepaid toll receipts are recognised as unearned income until a charge is incurred by the user.

Following the application of AASB-I 12 *Service Concession Arrangements* the Group has recognised construction revenue in prior periods in accordance with AASB 111 *Construction Contracts*. As the margin on the construction activities could not be reliably estimated, revenue was recognised only to the extent of contract costs incurred that it was probable would be recoverable.

(e) Income Tax

Pursuant to the provisions of Division 6C of the *Income Tax Assessment Act 1936* ("the Act"), ConnectEast Holding Trust is treated as a public trading trust and is effectively treated as a company for income tax purposes.

Pursuant to the provisions of Division 6A of the Act, ConnectEast Investment Trust is not liable for income tax under the Act, provided that the taxable income of the Trust is fully distributed to unitholders each year. Accordingly, income tax and deferred tax accounting is not applied in relation to ConnectEast Investment Trust and subsidiary trusts.

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

ConnectEast Investment Trust Group

Financial Report

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

As at 30 June 2010 the Group has not implemented the tax consolidation legislation. Consequently the impact of the tax consolidation legislation has not been adopted in this financial report.

(f) Acquisition of Assets

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

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

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

(g) Impairment of Assets

Assets that are subject to amortisation including plant, equipment and tags and intangible assets are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

ConnectEast Investment Trust Group

Financial Report

1. Summary of Significant Accounting Policies (continued)

(h) Plant, Equipment and tags

Items of plant, equipment and tags are stated at historical cost less depreciation and amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of any replaced asset is written off. Non-capital expenditure is charged to the Statement of Comprehensive Income during the reporting period in which it is incurred.

Depreciation and Amortisation

Plant, equipment and tags and tags are depreciated on a straight-line basis at various rates over its expected average useful life for that asset type.

Tags	7 years
Plant	6 years
Furniture, fittings & equipment	3 – 25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

(i) Intangible Assets

EastLink Concession

Costs associated with the EastLink Concession, including the construction of the EastLink Project have been capitalised as an intangible asset. The cost of the intangible asset includes:

- costs incurred by the Group prior to entering into the Concession Deed with the State of Victoria in relation to the design and construction of the EastLink Project;
- costs associated with entering the Concession Deed for the EastLink Project;
- all expenditure which is directly attributable to the construction of the assets comprising the EastLink Project;
- interest payments on loans up to the date of commencement of operations are offset against interest receipts;
- costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related cost of employees.

Amortisation

The intangible asset is amortised on a straight line basis over the remaining EastLink Concession period. The EastLink Concession runs to November 2043 with the intangible asset to be amortised over 35 years.

An assessment is made at each reporting date as to whether there is any indication that the asset may be impaired. If any such indication exists then the recoverable amount of the asset is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(j) Borrowings

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

ConnectEast Investment Trust Group

Financial Report

1. Summary of Significant Accounting Policies (continued)

(k) Borrowing Costs

Debt establishment costs incurred for the qualifying road asset are capitalised and amortised on a straight-line basis over the term of the applicable borrowings. Borrowing costs comprise interest and the amortisation of costs incurred in establishing borrowing facilities.

Where borrowings are specifically incurred in relation to qualifying assets, the actual borrowing costs are capitalised into the carrying value of those assets. Where borrowings are not specifically incurred in relation to qualifying assets, the amount of borrowing costs to be capitalised to qualifying assets is determined by applying a capitalisation rate to the weighted average accumulated expenditure relating to qualifying assets during the year. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year. Borrowing costs are capitalised up to the date when the asset is substantially complete and ready for use and are subsequently amortised over the useful life of the asset.

(l) Trade and Other Receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Collectability of trade debtors and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the Statement of Comprehensive Income.

(m) Trade and Other Payables

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

(n) Derivative Financial Instruments

The Group has entered into derivative financial instruments to manage its exposure to interest rate risk. The Group does not hold or issue derivative financial instruments for trading purposes.

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

The Group designates its derivatives as hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

ConnectEast Investment Trust Group

Financial Report

1. Summary of Significant Accounting Policies (continued)

(i) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income within other income or other expense.

Amounts accumulated in equity are recycled in the Statement of Comprehensive Income in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Statement of Comprehensive Income within 'finance costs'.

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

(ii) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Income and are included in other income or other expenses.

(o) **Offsetting Financial Assets and Liabilities**

A financial asset and a financial liability are offset and the net amount presented in the Statement of Financial Position when and only when, the Group:

- (i) currently has a legally enforceable right to set off the recognised amounts; and
- (ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(p) **Provisions**

Provisions for deferred bonuses are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions for planned future repairs and maintenance for EastLink which are contractually required under the Concession Deed are made in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(q) **Fair Value Estimation**

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

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

ConnectEast Investment Trust Group

Financial Report

1. Summary of Significant Accounting Policies (continued)

(r) Employee Benefits

(i) *Wages and Salaries, Annual Leave and Sick Leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Long Service Leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Retirement Benefit Obligation*

Employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plans if they choose to adopt the Company superannuation fund and elect to subscribe for these benefits from contribution to this fund. The Group has a defined contribution plan. The defined contribution plan receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Contributions made to defined contribution superannuation plans are expensed when incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(s) Distributions

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

(t) Cash and Cash Equivalents

For cash flow statement purposes, cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other highly liquid investments with original maturities of 3 months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

(u) Earnings Per Stapled Unit

(i) *Basic Earnings per Stapled Unit*

Basic earnings per stapled unit is determined by dividing net profit after income tax attributable to unitholders of the trust, excluding any costs of servicing equity other than ordinary stapled units, by the weighted average number of ordinary stapled units outstanding during the financial year, adjusted for bonus elements in ordinary stapled units issued during the year.

(ii) *Diluted Earnings Per Stapled Unit*

Diluted earnings per stapled unit adjusts the figures used in the determination of basic earnings per stapled unit to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary stapled units and the weighted average number of stapled units assumed to have been issued for no consideration in relation to dilutive potential ordinary stapled units.

(v) Rounding of Amounts

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, in accordance with that Class Order.

(w) Leases

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

ConnectEast Investment Trust Group

Financial Report

1. Summary of Significant Accounting Policies (continued)

(x) Goods and Services Tax (GST)

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

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

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

(y) New Accounting Standards Applied in Current Year

AASB 101 Presentation of Financial Statements

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

(z) Australian Accounting Standards Issued but not yet Effective

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. At the reporting date there were no associate entities of the Group.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

In May 2009 the AASB issued a number of changes to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 101 *Statement of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments, Recognition and Measurement*. The Group will apply the revised Standards from 1 July 2010. The Group does not expect that any adjustments will be necessary as a result of applying the revised rules.

(aa) Parent entity financial information

The financial information for the parent entity, ConnectEast Investment Trust, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of ConnectEast Investment Trust.

(ii) *Taxation*

Pursuant to the provisions of Division 6A of the Act, ConnectEast Investment Trust is not liable for income tax under the Act, provided that the taxable income of the Trust is fully distributed to unitholders each year. Accordingly, income tax and deferred tax accounting is not applied in relation to ConnectEast Investment Trust.

ConnectEast Investment Trust Group

Financial Report

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks; including credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to manage certain risk exposures.

Risk management is carried out by management under policies approved by the Board of Directors.

(a) Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions, and outstanding trade debtors.

For derivative counterparties, banks and financial institutions a minimum credit rating of A is required. The Group has policies that limit the amount of credit exposure to any one bank or financial institution.

Credit risk in trade debtors is managed through setting normal payment terms of 14 days and through continued risk assessment of customers with material balances. Trade debtors relate primarily to users of EastLink who have not purchased a tolling product and are unlikely to have an external credit rating. Trade debtors are pursued for payment initially through a notification process and failing that through an enforcement process under the EastLink Project Act.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and term deposits, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At the reporting date the Group had drawn down cash reserves in accordance with its Loan Note Subscription Agreement with its Financiers (see Note 8). These reserves provide liquidity to the Group if required through the traffic ramp-up phase of the road. These reserves are designed to be released or reduced once the business requirement for the reserves has passed.

Financing Arrangements

The borrowing entity under the financing facilities is ConnectEast Finance Pty Limited, a controlled entity of the Group. ConnectEast Finance Pty Limited has an Onlending Agreement with ConnectEast Asset Trust, a controlled entity of the Group.

Debt financing is provided through a syndicated bank term facility. Details of the facility are included in Note 17.

Access was available at balance date to the following lines of credit:

	Consolidated	
	2010	2009
	\$'000	\$'000
Financing Facilities		
Total facilities	1,221,900	2,031,500
Used at balance date	(1,214,400)	(2,024,000)
Unused at balance date	7,500	7,500
The unused finance facilities comprise the following at balance date:		
Bond Facility	7,500	7,500
	7,500	7,500

The current interest rate on the used component of the Term Facility is 6.32% (2009: 4.40%).

ConnectEast Investment Trust Group

Financial Report

2. Financial Risk Management (continued)

Maturities of Financial Liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest bearing liabilities the cash flows have been estimated using forward interest rates applicable at the reporting date.

		Consolidated						
2010		Weighted Average Interest rate	1 year or less \$'000	1 – 2 years \$'000	Over 2 - 5 years \$'000	More than 5 years \$'000	Total \$'000	Carrying Amount
	Notes							
Financial liabilities								
Trade creditors and accruals	14	-	25,732	-	-	-	25,732	25,732
Provisions	15	-	21,436	20,997	-	-	42,433	40,007
Interest bearing liabilities	17	6.32%	75,050	76,720	1,297,914	-	1,449,684	1,214,400
Derivative financial instruments	16	7.62%	17,751	15,795	23,237	-	56,783	50,530
			139,969	113,512	1,321,151	-	1,574,632	1,330,669

		Consolidated						
2009		Weighted Average Interest Rate	1 year or less \$'000	1 -2 years \$'000	Over 2 - 5 years \$'000	More than 5 years \$'000	Total \$'000	Carrying Amount
	Notes							
Financial liabilities								
Trade creditors and accruals	14	-	27,257	-	-	-	27,257	27,257
Provisions	15	-	40,500	-	-	-	40,500	40,500
Interest bearing liabilities	17	4.40%	92,796	900,320	990,064	415,501	2,398,681	2,024,000
Derivative financial instruments	16	7.37%	58,114	24,964	(14,813)	(1,064)	67,201	68,180
			218,667	925,284	975,251	414,437	2,533,639	2,159,937

(c) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Group raises long-term borrowings at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange at specified intervals the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The fair value of the swap contracts at 30 June 2010 is a liability of \$50.5 million (2009: liability, \$68.2 million).

The Group has swapped all expected borrowings through to November 2014 and cash flows on the swap contracts will occur through this period. Interest rate fair value amounts are recorded in and removed from equity and are disclosed in Note 20. Interest income on cash balances is at floating rates, on an unhedged basis.

The sensitivity analysis to net profit and equity has been determined based on the exposure to interest rates at the reporting date and assumes that there are concurrent movements in interest rates and parallel shifts in the yield curve.

Management has determined that, given historic fluctuations, a +/- 1 percent movement in interest rates is reasonably possible.

ConnectEast Investment Trust Group

Financial Report

2. Financial Risk Management (continued)

At 30 June 2010, if interest rates had been 1 percent higher/lower (30 June 2009: 0.5%) and all other variables were held constant, the impact on the Group would be:

	Consolidated			
	+ 1.0%		- 1.0%	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2010	1,702	48,561	(1,702)	(48,561)
2009	3,119	41,549	(3,119)	(41,586)

(d) Foreign exchange risk

Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Currency risk is measured using sensitivity analysis.

The Group is generally only exposed to foreign exchange movements on the purchase of inventory from a Swedish supplier. The impact of any reasonable movement in the Australian dollar/Swedish Kronor exchange rate on the net profit or net equity would not be material.

(e) Fair Value Estimation

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

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

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

At 30 June 2010 the Group recognised a liability of \$50.5 million in relation to interest rate swaps used for managing interest rate risk, (2009; liability \$68.2 million). This is classified as a Level 2 financial instrument. There were no Level 1 or Level 3 financial instruments at 30 June 2010.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

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

ConnectEast Investment Trust Group

Financial Report

3. Critical Accounting Estimates and Judgements

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

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

(i) Tax Losses

It is deemed probable that there will be future assessable income against which the losses incurred to date will be available for offset. The nature of the tax losses brought to account at balance date principally reflect rental charges, interest on intercompany loans, operating costs and costs incurred during the construction phase of the project. Refer to Note 7.

(ii) Construction Early Completion Incentive

A provision has been made in respect of the early completion incentive that will be payable to the Construction Contractor for achieving the project completion ahead of the scheduled date. If the expected performance of EastLink were to differ by 5% to the assumptions used, the Group would need to increase/decrease the provision recognised by \$2.6 million for over and under performance respectively. Refer to Note 15.

4. Revenue

	Consolidated	
	2010 \$'000	2009 \$'000
Revenue from continuing operations		
Toll revenue	179,132	134,871
Fee revenue	10,611	5,985
Interest income	11,843	22,167
Other income	35	20
	201,621	163,043
Construction contract	-	5,803
	201,621	168,846

Following the adoption of AASB-I 12 *Service Concession Arrangements*, revenue on the construction contract of \$5.8 million was recognised for the year ended 30 June 2009 (30 June 2010; nil) reflecting the cost of construction activities in the relevant period. Construction costs of the same amount were recorded in the Statement of Comprehensive Income. Refer to Notes 1 (c) and (d).

ConnectEast Investment Trust Group

Financial Report

5. Expenses

	Consolidated	
	2010 \$'000	2009 \$'000
Operating profit/(loss) before income tax and finance costs attributable to unitholders includes the following specific expenses:		
Employee costs	23,065	28,300
Doubtful debts expense	6,902	4,008
<i>Impairment of assets</i>		
Impairment of intangible asset (refer Note 11)	-	400,000
Excess of consideration paid over net assets relating to acquisition of responsible entity	-	4,875
Total impairment of assets	-	404,875
<i>Depreciation and amortisation</i>		
Plant, equipment and tags depreciation	2,062	5,995
Intangible assets amortisation	83,201	94,074
Deferred costs amortisation	13,871	12,194
Total depreciation and amortisation	99,134	112,263
<i>Finance costs</i>		
Interest and finance charges paid or payable on financial liabilities (net of swaps)	103,880	151,019
Interest rate swap amortisation ⁽¹⁾	11,762	12,683
Hedge ineffectiveness transferred from equity	14,362	12,123
Total finance costs	130,004	175,825

⁽¹⁾ Interest rate swap amortisation previously included in depreciation and amortisation is now included in finance costs.

6. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group, PricewaterhouseCoopers Australian firm:

	Consolidated	
	2010 \$'000	2009 \$'000
Audit services		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	450	517
Other Services		
Related practices	7	35
	457	552

The Group may only decide to employ the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Group are useful to the provision of those services and do not impact on the independence, integrity and objectivity of the auditor.

ConnectEast Investment Trust Group

Financial Report

7. Income Tax

(a) Income tax benefit

	Consolidated	
	2010 \$'000	2009 \$'000
Current tax	37	11
Deferred tax	(57,886)	(87,685)
(Over)/under provided deferred tax in prior years	(1,133)	(1,816)
Total income tax benefit	(58,982)	(89,490)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	Consolidated	
	2010 \$'000	2009 \$'000
Loss from continuing operations before income tax expense	(112,620)	(621,075)
Less profit / plus loss attributable to ConnectEast Investment Trust Group	(79,119)	309,834
	(191,739)	(311,241)
Tax rate at 30%	(57,522)	(93,372)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Impairment of assets	-	1,462
Other	(151)	4,250
	(57,673)	(87,660)
(Over)/under provision of deferred tax in prior years	(1,133)	(1,816)
Previously unrecognised tax losses	(145)	-
Temporary differences not brought to account	(31)	(14)
Income tax credit for the year	(58,982)	(89,490)

(c) Deferred income tax benefit

	Consolidated	
	2010 \$'000	2009 \$'000
Deferred income tax benefit :		
Increase / (decrease) in deferred tax assets:		
Provision	4,515	1,382
Accruals	(701)	(3,973)
Tax losses	61,608	67,903
	65,422	65,312
(Increase) / decrease in deferred tax liabilities:		
Receivables	(69)	-
Intangible Assets	(6,334)	24,190
Total movement in deferred tax balances	59,019	89,502

ConnectEast Investment Trust Group

Financial Report

7. Income Tax (continued)

(d) Tax losses

ConnectEast Holding Trust and its controlled entities

Pursuant to the provisions of Division 6C of the *Income Tax Assessment Act 1936* ("the Act"), ConnectEast Holding Trust is treated as a public trading trust and is effectively treated as a company for income tax purposes. Accordingly, income tax and deferred tax accounting is applied in relation to ConnectEast Holding Trust and its controlled entities.

	Consolidated	
	2010 \$'000	2009 \$'000
The Directors estimate that the potential gross deferred tax asset at 30 June 2010 in respect of tax losses not brought to account is:	20	581

The benefit from the deduction for these tax losses will only be obtained if:

- the aggregated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the aggregated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the aggregated entity in realising the benefit.

ConnectEast Investment Trust and its controlled entities

Pursuant to the provisions of Division 6A of the Act, ConnectEast Investment Trust is not liable for income tax under the Act, provided that the taxable income of the Trust is fully distributed to unitholders each year. Accordingly, income tax and deferred tax accounting is not applied in relation to ConnectEast Investment Trust and its controlled entities.

8. Current Assets – Cash and cash equivalents

	Consolidated	
	2010 \$'000	2009 \$'000
Cash at bank and on hand	15,588	75,662
Deposits at call	119	324,718
Cash reserves	124,014	160,486
Term deposits	30,500	63,000
	170,221	623,866

Cash reserve balances are in place to provide cash flow support during the traffic ramp-up phase of operations. Reserves are available for use subject to the conditions of the term facility Loan Note Subscription Agreement (LNSA) and notification to the LNSA agent.

The cash at bank earns interest of 4.43% (2009: 2.85%). The deposits at call earn interest of 5.18% (2009: 3.42%). The cash reserves currently earn interest of 4.67% (2009: 3.42%). The term deposits are currently held on 30 day periods and currently earn interest of 5.57% (2009: 3.90%).

ConnectEast Investment Trust Group

Financial Report

9. Current Assets – Trade and other receivables

	Consolidated	
	2010 \$'000	2009 \$'000
Trade receivables	13,230	8,753
Accrued revenue	4,335	4,049
Provision for impairment of receivables (Note (a))	(10,136)	(4,008)
	7,429	8,794
Other receivables	1,042	459
Prepayments	6,056	7,343
	14,527	16,596

(a) Impaired trade receivables

As at 30 June 2010 trade receivables of the Group with a nominal value of \$10.8 million (2009: \$5.6 million) were impaired. The amount of the provision was \$10.1 million (2009: \$4.0 million). The individually impaired receivables relate to users of EastLink that have not purchased one of the Group's toll products (tags/trip pass), and also pre-paid (tag) customers whose accounts have gone into debit.

The aging of these receivables is as follows:

1 to 3 months	1,875	1,820
3 to 6 months	1,749	2,110
Over 6 months	7,224	1,716
	10,848	5,646

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

Opening balance	4,008	-
Provision for impairment recognised during the year	6,902	4,008
Receivables written off during the year as uncollectible	(774)	-
	10,136	4,008

The creation and release of the provision for impaired receivables has been included in 'tolling and customer services expenses' in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

There are no receivables that are past due that have not been impaired (2009: nil).

ConnectEast Investment Trust Group

Financial Report

10. Non-Current Assets – Plant, equipment and tags

	Consolidated		
	Plant and equipment	Tags	Total
	\$'000	\$'000	\$'000
At 1 July 2008			
At cost	10,453	4,605	15,058
Less: accumulated depreciation	(3,016)	-	(3,016)
Net book amount	7,437	4,605	12,042
Year ended 30 June 2009			
Opening balance	7,437	4,605	12,042
Additions	246	4,405	4,651
Depreciation	(4,739)	(1,153)	(5,892)
Closing net book amount	2,944	7,857	10,801
At 30 June 2009			
At cost	10,699	9,010	19,709
Less: accumulated depreciation	(7,755)	(1,153)	(8,908)
Net book amount	2,944	7,857	10,801
Year ended 30 June 2010			
Opening balance	2,944	7,857	10,801
Additions	297	1,850	2,147
Disposals	(55)	-	(55)
Depreciation	(561)	(1,501)	(2,062)
Closing net book amount	2,625	8,206	10,831
At 30 June 2010			
At cost	10,941	10,860	21,801
Less: accumulated depreciation	(8,316)	(2,654)	(10,970)
Net book amount	2,625	8,206	10,831

During the year a review of plant, equipment and tags and intangibles asset registers has resulted in a \$103,000 reclassification between the asset classes, cost and accumulated depreciation and amortisation. The comparative period has been amended to reflect the new classifications.

ConnectEast Investment Trust Group

Financial Report

11. Non-Current Assets – Intangibles

	Consolidated	
	2010 \$'000	2009 \$'000
EastLink Concession		
At cost	3,389,828	3,368,892
Less: accumulated amortisation	(178,840)	(95,639)
Less: impairment	(400,000)	(400,000)
Total intangibles	2,810,988	2,873,253

Reconciliations

Reconciliations of the carrying amounts at the beginning and end of the year are set out below:

Intangibles		
Opening balance	2,873,253	3,380,368
Additions	4,989	20,224
Movement in provisions (refer Note 15)	15,947	(31,700)
Less: amortisation	(83,201)	(95,639)
Less: impairment	-	(400,000)
	2,810,988	2,873,253

During the year a review of plant, equipment and tags and intangibles asset registers has resulted in a \$103,000 reclassification between the asset classes, cost and accumulated depreciation and amortisation. The comparative period has been amended to reflect the new classifications.

EastLink Concession

ConnectEast Group has a Concession Deed with the State of Victoria. The Concession Deed grants ConnectEast Group the right to finance, design, construct and operate the EastLink Project for a period of approximately 39 years from Financial Close (18 November 2004). Toll charges were set at Financial Close and mechanisms established for the maximum annual increase in toll levels in accordance with CPI. Traffic risk resides with ConnectEast Group. During the life of the Concession, ConnectEast Group must maintain the asset to an agreed level as specified in the Concession Deed, and at the end of the period of the Concession, ConnectEast Group must return the EastLink Project to the State with individual civil and tolling assets having a residual design life in accordance with the Concession Deed. The service arrangement has been recorded as an intangible asset in accordance with AASBI-12 *Service Concession Arrangements*.

At each reporting date, the Group assesses whether there is any indication that the EastLink Concession may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount of the asset. EastLink commenced tolling on 27 July 2008 and for the first 12 months of operation experienced lower traffic than was forecast in the Group's 2004 Product Disclosure Statement (PDS). This event triggered a review to assess whether the EastLink Concession was impaired, the result of which was to book an impairment charge of \$400 million against the asset for the year ended 30 June 2009.

For the year ended 30 June 2010 the Group has reviewed whether there are any indications of impairment in line with the criteria set out in AASB 136 *Impairment of Assets*. The assessment has considered for the 12 month period to 30 June 2010 whether:

- the market value of the asset is likely to have declined significantly more than expected
- there has been a significant technological, market, economic or legal change in the market in which the asset operates
- interest rate changes affected the discount rate that would be used to value the asset and cause a material decrease in the recoverable amount
- the carrying value of the net assets of the entity are significantly above its market capitalisation
- there is evidence of obsolescence or physical damage
- there have been significant changes in the way the asset is used or expected to be used
- there is evidence that indicates that the economic performance of the asset is or will be worse than expected.

Having considered all of the above, the Group concluded that there were no indications of impairment during the year.

ConnectEast Investment Trust Group

Financial Report

12. Non-Current Assets – Other deferred costs

	Consolidated	
	2010 \$'000	2009 \$'000
Debt establishment costs	66,479	65,978
Less: accumulated amortisation	(53,871)	(40,675)
	12,608	25,303
Deferred financing costs	30,000	30,000
Less: accumulated amortisation	(7,356)	(5,348)
	22,644	24,652
Total other deferred costs	35,252	49,955

13. Non-Current Assets – Deferred tax assets

	Consolidated	
	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:		
Tax losses	183,177	121,569
Provisions	6,153	1,638
Accruals	1,783	2,484
Total deferred tax assets	191,113	125,691
Set-off of deferred tax liabilities pursuant to set-off provisions (see Note 7):		
Receivables	(69)	-
Intangible asset	(32,004)	(25,670)
Deferred tax assets	159,040	100,021
Deferred tax liabilities to be recovered within 12 months	(39)	(3)
Deferred tax assets to be recovered after more than 12 months	159,079	100,024
Deferred tax assets	159,040	100,021

14. Current Liabilities – Trade and other payables

	2010 \$'000	2009 \$'000
Trade creditors and accruals	9,669	15,884
Prepaid tolling revenue	11,118	7,249
Income tax payable	28	11
Other creditors*	4,917	4,113
	25,732	27,257

* Includes employee benefits as disclosed in Note 25.

ConnectEast Investment Trust Group

Financial Report

15. Provisions

(a) Current Liabilities	2010 \$'000	2009 \$'000
Construction early completion incentive	21,436	40,500
Repair and maintenance obligations	1,672	-
	23,108	40,500
(b) Non-Current Liabilities		
Construction early completion incentive	18,571	-
Repair and maintenance obligations	10,625	5,641
	29,196	5,641

Construction Early Completion Incentive

A provision has been made in respect of the early completion bonus that will be payable to the construction contractor, Thiess John Holland (TJH), for completing construction of EastLink 177 days ahead of the scheduled date. The amount of the bonus payable has been estimated based on assumptions of the financial performance of EastLink during the relevant bonus calculation period. Based on the independent EastLink traffic projections released on 21 August 2009, traffic ramp-up on EastLink is projected to be complete around June 2011. For the purposes of calculating the early completion bonus, it has therefore been agreed that the bonus calculation period will run for 177 days, starting on 1 July 2011. As part of the settlement with TJH (refer Note 24) it was agreed that the commencement of the bonus calculation period would be changed from 1 October 2009 per the original contract to 1 July 2011. This resulted in an increase in the current year's provision by \$15.9 million.

The early completion bonus is payable in instalments with two payments totalling \$16.4 million having been paid in the year to 30 June 2010. The third scheduled payment, on which interest accrues, is payable as and when operating cash flows are available for distributions, which is expected before 31 December 2010. The fourth and final payment will be made following calculation of the final bonus on 31 January 2012. The final payment has been discounted to a present value.

Repair and Maintenance Obligations

The Concession Deed specifies a program of repair and maintenance to maintain asset quality through the life of the Concession and assets that must be returned at the end of the concession in accordance with specified residual design lives. A provision has been made to recognise the best estimate of the expenditure required to settle the present obligation at the reporting date. The provision has been calculated by reference to this forecast repair and maintenance program with the obligation commencing on the completion of asset construction.

	30 June 2010		30 June 2009	
	Construction Early Completion Incentive \$'000	Repair and Maintenance Obligations \$'000	Construction Early Completion Incentive \$'000	Repair and Maintenance Obligations \$'000
Movement in Provisions				
Opening balance	40,500	5,641	66,000	-
Provisions recognised in period	15,947	6,656	-	5,641
Amounts paid	(16,440)	-	-	-
Amounts credited in period to intangible assets	-	-	(25,500)	-
Closing balance	40,007	12,297	40,500	5,641

ConnectEast Investment Trust Group

Financial Report

16. Non-Current Liabilities – Derivative Financial Instruments

	Consolidated	
	2010 \$'000	2009 \$'000
Interest rate swap contracts – cash flow hedges	50,530	68,180

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to Note 2).

(a) Interest rate swap contracts - cash flow hedges

The Group's term bank facility currently bears an average variable interest rate of 6.32% (2009; 4.40%). The Group has hedged all borrowings through to November 2014 with cash flows on the swap contracts to occur through this period. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps in place at 30 June 2010 cover 104% (2009 – 104%) of the term facility outstanding and are timed to expire as the repayment of each loan tranche falls due. The fixed interest rate for all swaps is 7.62% (2009 – 7.37%) and the variable rate is BBSY which at balance date was 4.80% (2009 – 3.24%).

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the Statement of Comprehensive Income when the hedged interest expense is recognised. On 7 October 2009 the Group terminated \$506.8 million of interest rate swap contracts as a result of the repayment of Tranche A of the term facility. The \$14.4 million financial impact of this transaction has been recognised in the Statement of Comprehensive Income in the period, in line with the hedge accounting requirements of AIFRS.

(b) Risk exposures

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the interest rate swaps mentioned above.

ConnectEast Investment Trust Group

Financial Report

17. Non-current liabilities – Borrowings

	Consolidated	
	2010 \$'000	2009 \$'000
Secured		
Term facility	1,214,400	2,024,000
Total non-current borrowings	1,214,400	2,024,000

(a) Term facility

The borrowing entity under the financing facilities is ConnectEast Finance Pty Limited, a controlled entity of the Group. ConnectEast Finance Pty Limited has an On-lending Agreement with ConnectEast Asset Trust, a controlled entity of the Group.

Borrowings for ConnectEast Group are provided through a term facility which comprises medium-term, interest only tranches as follows.

- Tranche A: \$809,600,000 – repaid in full during the year ended 30 June 2010;
- Tranche B: \$809,600,000 – repayable on 18 November 2012; and
- Tranche C: \$404,800,000 – repayable on 18 November 2014.

(b) Assets pledged as security

The security over the term facility includes:

- fixed and floating charges over all the assets and undertakings of ConnectEast Finance Pty Limited, ConnectEast Pty Limited and ConnectEast Asset Trust. The charges will include a featherweight floating charge (enforceable only during the appointment of an administrator) over the various trading accounts;
- real property mortgages over the EastLink Project Leases; and
- a limited recourse third party mortgage granted by ConnectEast Investment Trust 2 and ConnectEast Holding 2 Pty Limited over their respective units or units, as applicable, in each of ConnectEast Asset Trust (and its trustee), ConnectEast Pty Limited and ConnectEast Finance Pty Limited.

The benefits of the securities are held by a security trustee on behalf of the Financiers and the providers of interest rate management hedging.

The carrying amounts of assets pledged as security for non-current borrowings are:

	Pledged Assets	
	2010 \$'000	2009 \$'000
Current		
Cash and cash equivalents	154,406	434,093
Trade and other receivables	17,483	14,495
Total current assets pledged as security	171,889	448,588
Non-current		
Plant, equipment and tags	10,831	10,801
Intangible assets	2,810,988	2,873,253
Total non-current assets pledged as security	2,821,819	2,884,054
Total assets pledged as security	2,993,708	3,332,642

Bond facility

A Bank Bond Facility to the amount of \$7.5 million has been established for the ConnectEast Group to meet certain obligations to the State of Victoria under the Concession Deed. This facility is available to November 2014.

ConnectEast Investment Trust Group

Financial Report

18. Unitholder Funds

Consolidated

(a) 1 July 2009 to 30 June 2010

Date	Details	Number of Units	Issue Price	\$'000
1 July 2009	Opening balance	2,553,238,059		2,144,441
9 September 2009	Issue of units under institutional pro-rata entitlement offer	925,648,052	\$0.3300	305,464
9 September 2009	Issue of units under early retail pro-rata entitlement offer	10,221,864	\$0.3300	3,373
5 October 2009	Issue of units under retail pro-rata entitlement offer	340,743,084	\$0.3300	112,445
5 October 2009	Equity raising costs	-		(13,082)
26 October 2009	Distribution	-		(25,532)
26 October 2009	Issue of units under DRP	43,234,870	\$0.3342	14,449
23 April 2010	Distribution	-		(38,731)
23 April 2010	Issue of units under DRP	67,060,022	\$0.4217	28,279
30 June 2010	Amortisation of deferring financing costs	-		(1,333)
30 June 2010	Closing balance	3,940,145,951		2,529,773

(b) 1 July 2008 to 30 June 2009

Date	Details	Number of Units	Issue Price	\$'000
1 July 2008	Opening balance	1,581,887,895		1,730,922
29 October 2008	Distribution	-		(83,049)
29 October 2008	Issue of units under DRP	55,730,471	\$0.7578	42,233
29 October 2008	Issue of units to DRP underwriters	33,328,416	\$0.7578	25,256
29 October 2008	DRP underwriting commission	-		(631)
8 December 2008	Issue of units under a placement	190,909,091	\$0.5500	105,000
8 December 2008	Issue of units under institutional pro-rata entitlement offer	342,025,782	\$0.5500	188,114
8 December 2008	Issue of units under early retail pro-rata entitlement offer	1,073,858	\$0.5500	591
22 December 2008	Issue of units under retail pro-rata entitlement offer	283,493,025	\$0.5500	155,921
31 December 2008	Equity raising costs	-		(18,373)
1 May 2009	Distribution	-		(24,884)
1 May 2009	Issue of units under DRP	42,926,871	\$0.3841	16,488
1 May 2009	Issue of units to DRP underwriters	21,862,650	\$0.3841	8,397
1 May 2009	DRP underwriting commission	-		(210)
30 June 2009	Amortisation of deferred financing costs	-		(1,334)
30 June 2009	Closing balance	2,553,238,059		2,144,441

ConnectEast Investment Trust Group

Financial Report

18. Unitholder Funds (continued)

(c) Ordinary Units

The units of ConnectEast Investment Trust (CEIT) and ConnectEast Holding Trust (CEHT) are stapled and the number of units issued by each entity is the same, however, their values differ. Their respective values are apportioned 99% (CEIT) and 1% (CEHT). Ordinary units entitle the holder to participate in distributions and the proceeds on a winding up of the stapled entity in proportion to the number of units held.

The Australian Securities Exchange (ASX) reserves the right (but without limiting its absolute discretion) to remove either or both of the stapled trusts from the official list if any of the stapled units in the stapled trusts cease to be 'stapled' together, or any equity securities are issued by either of the stapled trusts which are not stapled to equivalent securities in the other entity.

(d) Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they continue to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions paid to unitholders, return capital to unitholders or issue new units.

The Group will continue to monitor its capital structure to ensure it remains suitable for the Group's operations and enables the Group to adequately service debt.

19. Reserves

	Consolidated	
	2010 \$'000	2009 \$'000
Cash flow hedge reserve	(77,322)	(94,607)
Movements:		
Opening balance	(94,607)	75,835
Change in fair value of the cash flow hedge	(8,839)	(195,248)
Hedge ineffectiveness transferred to Statement of Comprehensive Income	14,362	12,123
Amortisation	11,762	12,683
	(77,322)	(94,607)

The hedging reserve is used to record gains or losses on a hedging instrument (e.g. interest rate swaps) in a cash flow hedge that are recognised directly in equity, as described in Note 1(n). Amounts are recognised in the Statement of Comprehensive Income when the associated hedged transaction affects profit and loss.

Hedge ineffectiveness has resulted from equity being raised with the intention of repaying Tranche A of the term facility (refer Note 17). This required the breaking of associated interest rate swap contracts to maintain hedge effectiveness. Interest rate swap contracts that were broken on 2 July 2009 were treated as ineffective in the 2009 financial statements.

20. Retained Earnings

	Consolidated	
Retained Earnings	2010 \$'000	2009 \$'000
Opening balance	(540,920)	(9,335)
Net profit/(loss) for the year	(53,638)	(531,585)
Closing balance	(594,558)	(540,920)

ConnectEast Investment Trust Group

Financial Report

21. Distributions to Unitholders

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Distribution for the 6 months to 30 September 2009 of 1.00 cent per stapled unit paid on 26 October 2009 (2009 – 5.25 cents per stapled unit 29 October 2009)		25,532	83,049
Distribution for the 6 months to 31 March 2010 of 1.00 cent per stapled unit paid on 23 April 2010 (2009 – 1 cent per stapled unit paid on 1 May 2009)		38,731	24,884
		64,263	107,933
The distributions paid in cash or satisfied by the issue of units under the Distribution Reinvestment Plan during the year ended 30 June 2010 were as follows:			
Paid in cash		21,535	49,212
Satisfied by issue of stapled units		42,728	58,721
		64,263	107,933

Distribution Reinvestment Plan

The ConnectEast Group Distribution Reinvestment Plan (DRP) was terminated following the distribution made on 23 April 2010. Prior to this stapled units allotted under the DRP were issued at a volume weighted average price, less a discount of 5%. Unless unitholders elected otherwise, distributions payable on the stapled units were reinvested in further stapled units under the DRP. Unitholders were able to elect not to participate in the DRP.

Under the DRP, there were issues of stapled units on 26 October 2009 at a price of \$0.3342 per stapled unit and on 23 April 2010 at a price of \$0.4217 per stapled unit.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

Remuneration Report

This report sets out the remuneration framework, policy, performance and outcomes for the year ended 30 June 2010 (FY2010). Remuneration details are provided for the following directors and executives. Prior period details for certain former directors and executives are also provided in this report.

NAME	POSITION	DATE APPOINTED
Non-executive Directors		
Anthony Shepherd	Independent Chairman	28 September 2004
Bruce Beeren	Independent Director	31 March 2009
Paul Douglas	Independent Director	22 December 2009
Jim Hall	Independent Director	9 June 2005
Max Lay	Independent Director	28 September 2004
Mark Snape	Director	26 August 2008
Yvonne von Hartel	Independent Director	7 February 2005
Executive Director		
Dennis Cliche ¹	Managing Director and CEO	19 November 2009
Current Executives		
Nick McKechnie	Chief Financial Officer	2 March 2009
Tony Hudson	General Counsel and Company Secretary	8 August 2005
James Tonkin	General Manager, Corporate Affairs	2 October 2006
Tom Walker	Manager Technical Services	8 May 2006
Former executives who left employment during FY2010		
John Gardiner ¹	Former Managing Director and CEO	29 March 2005
Peter Bentley ²	Former Chief Operating Officer	19 October 2004

¹ Dennis Cliche replaced John Gardiner as Managing Director and Chief Executive Officer on 19 November 2009.

² Peter Bentley resigned as Chief Operating Officer on 30 June 2010.

Board's Responsibility for Remuneration

The Board's role

The Board's responsibilities, as set out in the Board Charter, include:

- appointing, remunerating, reviewing the performance of, and (where applicable) removing the CEO
- approving the appointment, remuneration and (where applicable) removal, and participating in review of the performance of, the CFO, the Company Secretary and senior managers reporting to the CEO
- ensuring that the structure of remuneration in the ConnectEast Group (including for the CEO) is linked to achievement of the Group objectives and is benchmarked against market for organisations of similar size, operations and complexity
- ensuring that the performance requirements of the CEO and senior management are linked to achievement of the Group objectives, and that systems for evaluating the performance of the CEO and senior management are based on open and relevant criteria
- monitoring senior management's performance and implementation of strategy.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures (continued)

Human Resources Committee

The Board has established a Human Resources Committee with the following areas of focus:

- human resources policies and strategies, including executive remuneration and succession planning
- remuneration of non-executive directors.

In relation to executive remuneration, the Committee's role includes developing and recommending to the Board for approval strategies and policies for executive remuneration, including the at-risk components of executive remuneration.

The Committee received independent advice regarding the remuneration of the CEO and his direct reports from Egan Associates during the year. The Committee also drew on data from external sources for the purposes of benchmarking remuneration levels. During the year, those sources included The Hay Group, who performed a job evaluation study across the Group and provided employee remuneration benchmarking data. Employee remuneration benchmarking data was also provided by Hewitt Associates.

Approval of executive remuneration

Executive remuneration levels are reviewed annually by reference to market benchmarks, the executive's performance and any changes in the executive's role or responsibilities. Executive remuneration is approved as follows:

- the remuneration of the CEO is approved by the Board upon the recommendation of the Human Resources Committee and the Board Chairman
- the remuneration of direct reports to the CEO is approved by the Board upon the recommendation of the CEO and the Human Resources Committee
- all other employee remuneration is approved by the CEO.

Overview of Group and Executive Performance

Refer also to the Review of Operations on page 2 of the directors' report.

ConnectEast's Total Shareholder Return (TSR) over the financial year was 27.38%, ranking 46th among entities in the ASX 100 at the beginning of the financial year. The total return of the ASX 100 Index over the year was 25.34%. (TSR is defined as the growth in unit price over the relevant period with distributions notionally reinvested on the ex-distribution date during the period. The unit price is measured on a volume-weighted basis for the three months preceding the relevant date.)

Table 1 shows ConnectEast's performance over a number of key performance indicators in FY2010 and the four preceding financial years.

Table 1

Year ended 30 June	2007	2008	2009	2010
Net profit after tax (\$'000)	(66,438)	(9,335)	(531,585) ⁽³⁾	(53,638)
Earnings per unit (cents) ⁽¹⁾	-	(0.68)	(25.43)	(1.49)
EBITDA per trip ⁽²⁾	n/a	n/a	\$1.12	\$1.82
Total Shareholder Returns				
ConnectEast	42.6%	-18.3%	-66.3%	27.4%
ASX100	26.2%	-7.0%	-26.5%	25.3%

(1) Units were classified as debt at 30 June 2007 due to finite life clauses in the Trust constitutions

(2) Tolling commenced on 27 July 2008

(3) Includes impairment of \$405 million

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

Executive Remuneration

General

Executive remuneration arrangements are designed to reward employees competitively and appropriately for their individual performance, including their contribution to the ConnectEast Group's business performance. During the year ended 30 June 2010, individual remuneration was aligned with contribution towards achievement of strategic goals. Strategic goals are set annually by the Board and are designed to be measurable and to support achievement of the Group objectives.

Service contracts for senior management, including the CEO, have no fixed term. Each contract can be terminated by the giving of a fixed period of notice. ConnectEast also has the right to terminate the contract immediately, by making a payment in lieu of notice. The contractual period of notice is six months for the CEO and the CFO. It is three months for other senior managers.

Executive remuneration is made up of a fixed component and, for eligible executives, an at-risk component.

Fixed annual remuneration

Each executive's fixed annual remuneration (FAR) is structured as a total employment cost package, including cash, voluntary superannuation and benefits. Fringe benefits tax costs are taken into account in the total employment cost calculation. The FAR is set by reference to the scope and nature of the executive's role, and the executive's performance and experience.

At-risk remuneration – year ended 30 June 2010

The at-risk component of executive remuneration during FY2010 comprised short, medium and long term incentives. Except as explained below in relation to the long term incentive program, all components of executive remuneration are cash-based.

The rules of the medium and long term incentive plan are available on our website.

Short term incentives

Short term incentives (STIs) allow for payment in cash of a percentage (ranging from 10% to 75%) of the executive's fixed remuneration each financial year, with higher amounts payable at the discretion of the Board.

Individual annual goals for each executive are agreed at the beginning of the financial year and tailored to the accountabilities of the executive's role and the capacity of the executive to affect the Group's performance. Individual goals may be financial or non-financial and may include "base" and "stretch" performance targets. Annual goals for the CEO are established by the Board Chairman in consultation with the Chairman of the Human Resources Committee. Annual goals for the CEO's direct reports are set by the CEO and reviewed by the Human Resources Committee.

The actual level of STI paid to the CEO and other executives is determined at the end of the financial year by assessment of the executive's performance against individual goals and having regard to the Group's performance. The Group's performance is reviewed by the Board having regard to the budget and other goals approved at the beginning of the financial year. The performance of the CEO is reviewed by the Board Chairman in consultation with the Chairman of the Human Resources Committee and approved by the Board. Senior executive performance is assessed by the CEO, reviewed by the Human Resources Committee and approved by the Board.

STI payments are typically paid in September, following preparation, audit and release of the Group's annual financial report and review of each eligible executive's performance.

Medium term incentives

Medium Term Incentives (MTIs) focus on achievement of internal corporate performance targets over a two year period. MTIs allow for payment in cash of a percentage (ranging from 10% to 35%) of the executive's fixed remuneration upon vesting. The entitlements of participating executives will vest according to the degree of achievement of applicable corporate performance targets. Vested MTI entitlements are payable in cash.

The first grants under the MTI program were made during the 2010 financial year, and will be eligible for vesting at the end of the 2011 financial year. MTI grants have been made to 11 employees. Vesting will be determined by reference to the Group's average EBITDA per trip over the two years.

EBITDA per trip was selected as an appropriate measure because it focuses on the importance of maximising the return from the asset and represents a measure of efficiency as well as overall return. No MTI entitlements will vest unless the Group's average EBITDA per trip over the two years is at least \$1.953. During FY2010, the average EBITDA per trip was \$1.82.

The vesting measures for future grants made under the MTI program will be determined annually by the Board having regard to the targets for the business each year.

MTI payments will typically be made in September, following preparation, audit and release of the Group's annual financial report and assessment of the criteria for vesting of MTI entitlements.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

Long term incentives

Long Term Incentives (LTIs) focus on achievement of total shareholder returns (TSR) over a three year period. The entitlements of participating executives will vest according to ConnectEast's TSR performance relative to the performance of entities included in the ASX 100 at the time that a grant is made under the LTI program.

The first grants under the LTI program were made during the 2010 financial year, and will be eligible for vesting at the end of the 2012 financial year. LTI grants have been made to five executives. Vesting will occur after three financial years if ConnectEast's TSR over that three year period is at least equal to the median TSR of entities included in the ASX100 over that period, as set out in Table 2 below.

Table 2

ConnectEast's TSR rank relative to ASX100	Proportion of CEU units eligible to vest
Less than 50 th percentile (median)	0%
50 th percentile	50%
Between 50 th percentile and 75 th percentile	50% plus 2% for each additional percentile ranking above the 50 th percentile.
At or above the 75 th percentile	100%

If some or all of an LTI entitlement has not vested after three financial years, the above TSR performance condition will be re-tested on 30 June in the fourth and fifth years. If, on one of these re-testing dates, ConnectEast's relative TSR ranking is better than the ASX100 median and higher than it was after the previous testing date, then a higher proportion of the original LTI entitlement will vest at that time.

Vested LTI entitlements are payable partly in cash. However, 40% of each vested LTI entitlement must be applied to acquire ConnectEast units. These units are acquired by the Group on-market in the ordinary course of trading on ASX on behalf of the executive. These units will be subject to a trading lock for two years. The trading lock may be released earlier in some circumstances, including death or total and permanent disablement or other circumstances determined by the Board.

Executives who hold units subject to a trading lock under the LTI program are not permitted to enter into any arrangements for the purpose of hedging their exposure to risk in respect of those units. The Board may ask executives to certify that they have not entered into such arrangements.

LTI payments and acquisition of units will typically occur in September, consistent with the arrangements for payment of STI and MTI entitlements.

Milestone retention bonus for former CEO

During construction of EastLink, certain executives were eligible for milestone retention bonuses. These allowed for payment of a percentage of the executive's fixed remuneration according to the achievement of key project milestones. The Group's former CEO, John Gardiner, was entitled to payment of his final milestone retention bonus in November 2009. There were no other milestone retention bonuses paid out during the year and none outstanding for future years.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

CEO and senior executive remuneration details

Service contracts

The Group has entered into a service contract with the CEO and other senior executives, setting out remuneration and other terms of employment. Each service contract outlines the components of remuneration (including eligibility for at-risk remuneration), but does not prescribe the level of remuneration from year to year.

The service contracts for the Key Management Personnel contain the termination provisions set out below in Table 3.

Table 3

Name	Notice by Group or employee	Termination provisions
Dennis Cliche	6 months	Payment of 6 months base salary plus superannuation.
Nick McKechnie	6 months	Payment of 6 months base salary plus superannuation
Tony Hudson	3 months	Payment of 3 months base salary plus superannuation
James Tonkin	3 months	Payment of 3 months base salary plus superannuation
Tom Walker	3 months	Payment of 3 months base salary plus superannuation

At-risk remuneration

Table 4 below summarises the at-risk components of the remuneration for FY2010 under the service contracts between the Group and the Key Management Personnel in office as at the date of this report. The STI, MTI and LTI amounts shown in Table 4 represent the maximum that would be paid assuming 100% achievement of relevant performance targets. The percentage of remuneration at-risk shown in Table 4 also assumes 100% payment of the at-risk components of remuneration.

Table 4

Name	FAR	STI ¹		MTI ²		LTI ³		Percentage of remuneration at risk
	\$	%	\$	%	\$	%	\$	%
Dennis Cliche ⁴	600,000	75	276,750	35	210,000	40	240,000	60%
Nick McKechnie	300,000	50	150,000	30	90,000	40	120,000	55%
Tony Hudson	313,000	50	156,500	30	93,900	40	125,200	55%
James Tonkin	224,000	30	67,200	20	44,800	25	56,000	43%
Tom Walker	244,000	30	73,200	20	48,800	25	61,000	43%

1 The STI opportunity is subject to assessment of the executive's performance during the year. The actual STI payments awarded for FY2010 are set out in Table 5.

2 The aggregate MTI opportunity in the table is subject to satisfaction of performance conditions over two years.

3 The aggregate LTI opportunity in the table is subject to satisfaction of performance conditions over three years.

4 Dennis Cliche commenced employment on 19 November 2009. The FAR of \$600,000 is for a full year of employment. The maximum STI opportunity has been pro-rated for the period of employment.

Key Management Personnel STI goals during FY2010

The STI goals of the CEO for FY2010 were agreed with the Board shortly after his commencement of employment in November 2010. The STI goals of other Key Management Personnel were agreed with the Board at the beginning of the financial year. In each case, the goals were weighted towards achievement of the Group's revenue and operating costs targets. This reflects the Group's focus since opening EastLink to tolling in July 2008 on building traffic and revenue on EastLink and driving the efficiency of operations. The STI goals for each executive also included achievement of particular projects within their areas of responsibility.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

Remuneration paid to Key Management Personnel in FY2010

The remuneration of the Key Management Personnel for the years ended 30 June 2010 and 30 June 2009 is set out below in Tables 5 and 6 respectively.

Table 5

2010	Short-term employment benefits			Long-term employment benefits			Post-employment		
Name	Cash salary and fees \$	Short Term Incentive \$	Non-cash benefits \$	Milestone Retention Bonus ¹ \$	Medium Term Incentive ² \$	Long Term Incentive ² \$	Super-annuation ³ \$	Total \$	Percentage of STI paid / forfeited %
Dennis Cliche ⁴	360,154	141,419	-	-	52,500	24,600	10,846	589,519	51 / 49
Nick McKechnie	285,539	103,200	-	-	22,500	20,000	14,461	445,700	69 / 31
Tony Hudson	288,000	117,062	-	-	23,475	20,867	25,000	474,404	75 / 25
James Tonkin	175,417	47,040	22,122	-	11,200	9,333	26,461	291,573	70 / 30
Tom Walker	229,539	47,580	-	-	12,200	10,167	14,461	313,947	65 / 35
John Gardiner ⁴	253,408	54,386	15,557	441,831	-	-	42,954	808,136	31 / 69
Peter Bentley ⁵	268,787	140,625	56,213	-	-	-	50,000	515,625	50 / 50
TOTAL	1,860,844	651,312	93,892	441,831	121,875	84,967	184,183	3,438,904	

Table 6

2009	Short-term employee benefits			Post-employment		
Name	Cash salary and fees \$	Short Term Incentive \$	Non-cash benefits \$	Super-annuation ¹ \$	Total \$	Percentage of STI paid / forfeited %
John Gardiner	520,579	210,529	35,263	100,000	866,371	50 / 50
Peter Bentley	216,182	165,000	60,877	100,000	542,059	76 / 24
Tony Hudson	264,110	106,000	-	50,000	420,110	71 / 29
Nick McKechnie ⁶	234,618	93,400	-	13,693	341,711	65 / 35
James Tonkin	167,461	44,600	22,122	37,745	271,928	71 / 29
Danny Agnoletto ⁶	268,292	256,333	24,308	65,346	614,279	100 / 0
Graham Gilpin ⁷	176,915	44,000	-	100,000	320,915	100 / 0
TOTAL	1,848,157	919,862	142,570	466,784	3,377,373	

1 The Milestone Retention Bonus earned by John Gardiner in FY2010 applied to the total period of employment from the date of commencement and vested according to the extent of achievement of the applicable performance targets.

2 The amounts shown in respect of the MTI and LTI entitlements of relevant executives represent the estimated liability for payment of these entitlements. Those estimates assume 50% vesting of those entitlements, spread over two years for the MTI program and over three years for the LTI program. No amounts vested or were paid in FY2010 in respect of the MTI and LTI programs.

3 Includes statutory and voluntary contributions.

4 John Gardiner resigned as Chief Executive Officer and Managing Director and was replaced by Dennis Cliche on 19 November 2009.

5 Peter Bentley resigned as Chief Operating Officer on 30 June 2010.

6 Danny Agnoletto resigned and was replaced by Nick McKechnie as Chief Financial Officer with effect from 2 March 2009.

7 Graham Gilpin resigned as General Manager Construction on 30 June 2009.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

ConnectEast Group has not provided any loans to executives or directors.

The remuneration of the Key Management Personnel and independent non-executive directors is paid by ConnectEast Pty Limited and ConnectEast Holding 2 Pty Limited, wholly owned subsidiaries of the Group.

Chief Executive Officer's remuneration for FY2011

The Board has approved the remuneration arrangements for the Chief Executive Officer in FY2011 as set out below in Table 7. The STI, MTI and LTI amounts shown in Table 7 represent the maximum that would be paid assuming 100% achievement of relevant performance targets.

Table 7

Name	FAR	STI		MTI		LTI		Percentage of remuneration at risk
	\$	%	\$	%	\$	%	\$	%
Dennis Cliche	630,000	75	472,500	35	220,500	50	315,000	62%

Remuneration of Non-Executive Directors

Basis of remuneration

Each independent director is paid a fixed annual fee that takes account of the extent of the director's involvement at Board and Committee level. The remuneration for non-executive Directors is set at a level that takes account of the time commitment required of a director and will attract the calibre of director required to contribute to a high-performing Board. For that purpose, the Board obtains advice from external consultants on benchmarks for remuneration of non-executive directors in comparable organisations.

The fees paid to the independent directors are reviewed annually by the Human Resources Committee, which makes recommendations to the Board having regard to the matters described above.

During the year, the level of non-executive directors' fees was reviewed by the Group's independent external adviser, Egan Associates, to determine whether non-executive directors were being remunerated at market rates for a group of ConnectEast's size and complexity. The independent external review considered market data of a sample of companies listed on the ASX ranking between 50 and 150 by market capitalisation and companies with market capitalisation between \$807 million and \$3,227 million or with total assets between \$1.64 billion and \$6.6 billion.

Consistent with the recommendations of the external review, the Board has resolved that its fee structure for the year ending 30 June 2011 is as set out below in Table 8.

Table 8

Committee	Role	Total fees FY2011 ² \$	Total fees FY2010 ² \$
Board retainer	Chairman	250,000 ¹	240,000 ¹
	Member	97,500	95,000
Audit, Risk & Compliance Committee	Chairman	25,000	20,000
	Member	12,500	10,000
Human Resources Committee	Chairman	15,000	15,000
	Member	8,000	8,000
Nomination Committee	Chairman	10,000	10,000
	Member	6,000	6,000
Safety Committee	Chairman	15,000	15,000
	Member	8,000	8,000
Community Investment Committee	Chairman	6,000	6,000
	Member	4,000	4,000

1 The board retainer fee for the Chairman includes committee obligations.

2 Inclusive of superannuation guarantee charge.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

If a director is required to commit a material time for work on specific allocated issues outside the normal course of Board and Committee activities, the Board may approve the payment of additional cash remuneration. In the year ended 30 June 2010, Jim Hall received an additional payment of \$12,000 for additional work in connection with the capital raising completed by the Group in September 2009.

The aggregate remuneration that will be paid to the independent non-executive directors for the year ending 30 June 2011 (and a comparison to the aggregate remuneration paid for the year ended 30 June 2010) are set out below in Table 9.

Table 9

	Year Ending 30 June 2011 \$	Year ended 30 June 2010 \$
Anthony Shepherd	250,000	240,000
Bruce Beeren	131,000	126,000
Paul Douglas ¹	113,500	57,913
Jim Hall	128,500	133,000 ²
Dr Max Lay AM	125,000	120,000
Yvonne von Hartel AM	111,500	109,000
Total	859,500	785,913

1 Paul Douglas was appointed as a director on 22 December 2009.

2 Includes additional payment of \$12,000 for work in connection with the Group's capital raising.

The Group does not pay retirement allowances to non-executive directors nor compensation on early termination of the appointment of non-executive directors.

Minimum equity holding

Independent directors have agreed to acquire a minimum of 250,000 ConnectEast units. They may do so by applying 20% of their remuneration to the purchase of ConnectEast units. Where applicable, the Group purchases these units on-market during the securities trading windows immediately following release of the annual and half-yearly results (in accordance with ConnectEast's Dealing in Securities Policy).

Until they hold at least 250,000 units, the independent directors have agreed not to dispose of any ConnectEast units. The director must then maintain a minimum holding of 250,000 units, and may only dispose of units in accordance with ConnectEast's Dealing in Securities Policy. These restrictions cease to apply after a director leaves office.

At the date of this report, Tony Shepherd, Bruce Beeren, Paul Douglas and Max Lay hold at least 250,000 units.

Thiess John Holland nominee director

ConnectEast does not pay any remuneration to Mark Snape, who has been nominated by Thiess John Holland. He is remunerated as an executive of John Holland. ConnectEast does not pay any remuneration to Mark Lynch, who is alternate director for Mark Snape.

Maximum aggregate remuneration

Under the Group's Constitutions, the maximum aggregate remuneration payable to non-executive directors is \$950,000, or any greater amount approved by unitholders.

Remuneration of non-executive directors

The remuneration paid to the non-executive directors during the years ended 30 June 2010 and 30 June 2009 is shown in the tables below.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

Table 10

2010	Short-term employee benefits		Post-employment	
Name	Cash salary and fees ¹ \$	Equity ¹ \$	Super-annuation \$	Total \$
Anthony Shepherd	225,539	-	14,461	240,000
Bruce Beeren	96,696	18,900	10,404	126,000
Paul Douglas ²	34,663	18,468	4,782	57,913
Jim Hall ⁶	108,800	24,200	-	133,000
Dr Max Lay AM ⁶	96,000	24,000	-	120,000
Mark Snape ³	-	-	-	-
Yvonne von Hartel AM	59,274	21,800	27,926	109,000
Mark Lynch ⁴	-	-	-	-
Total	620,972	107,368	57,573	785,913

Table 11

2009	Short-term benefits		Post-employment	
Name	Cash salary and fees ¹ \$	Equity ¹ \$	Super-annuation \$	Total \$
Anthony Shepherd	132,885	72,220	13,745	218,850
Bruce Beeren ⁷	20,038	5,586	2,306	27,930
Jim Hall ⁶	102,800	23,450	-	126,250
Dr Max Lay AM ⁶	93,800	23,450	-	117,250
Mark Snape ³	-	-	-	-
Yvonne von Hartel AM	2,340	20,850	81,060	104,250
Mark Lynch ⁴	-	-	-	-
Julian Beaumont ⁵	-	-	-	-
Andrew Sims ⁵	-	-	-	-
Dr Ray Wilson ³	-	-	-	-
Total	351,863	145,556	97,111	594,530

1 The Chairman and Independent Directors allocate 33% and 20% respectively of their remuneration to purchase ConnectEast stapled units, until they attain a holding of 250,000 units.

2 Paul Douglas was appointed as a director on 22 December 2009.

3 Mark Snape is nominated by Thiess John Holland. He is an employee of John Holland and is not remunerated by the ConnectEast Group.

4 Mark Lynch is alternate director for Mark Snape. He is an employee of Thiess Pty Limited and is not remunerated by the ConnectEast Group.

5 Andrew Sims was an employee of Macquarie Group Limited and was not remunerated by ConnectEast Group. Julian Beaumont was a nominee of Macquarie Group Limited and was not remunerated by ConnectEast Group. Messrs Sims and Beaumont resigned as directors on 31 March 2009.

6 No statutory superannuation contributions are required.

ConnectEast Investment Trust Group

Financial Report

22. Key Management Personnel Disclosures

Total Remuneration of Key Management Personnel and Non-Executive Directors

The total remuneration of the Group's Key Management Personnel and directors is set out below in Table 12.

Table 12

	Consolidated	
	2010 \$	2009 \$
Short-term employee benefits	3,334,388	3,408,008
Long-term employee benefits	648,673	-
Post-employment benefits	241,756	563,895
Total	4,224,817	3,971,903

Stapled Unit Holdings

The numbers of Stapled Units in ConnectEast Group held during the financial year by each director of ConnectEast Management Limited and each of the Key Management Personnel of the Group, including their personally-related entities, are set out below in Tables 13 and 14 respectively.

Table 13

Name	Balance at the start of the year	Units acquired during the year	Balance at the end of the year	Value of units at the end of the year ¹ \$
Non-executive directors of ConnectEast Management Limited				
Anthony Shepherd	517,168	465,573	982,741	373,442
Bruce Beeren	-	261,594	261,594	99,406
Paul Douglas ²	168,291	94,943	263,234	100,029
Jim Hall	116,397	117,963	234,360	89,057
Dr Max Lay AM	129,724	134,731	264,455	100,493
Mark Snape	-	-	-	-
Yvonne von Hartel AM	110,637	111,322	221,959	84,344

Table 14

Name	Balance at the start of the year	Units acquired during the year	Balance at the end of the year	Value of units at the end of the year ¹ \$
Key Management Personnel of ConnectEast Group				
Dennis Cliche	-	-	-	-
Nick McKechnie	-	14,076	14,076	5,349
Tony Hudson	17,325	9,809	27,134	10,311
James Tonkin	-	-	-	-
Tom Walker	18,508	-	18,508	7,033

1 The basis of valuation of the units at year end is the unit price as at 30 June 2010 (\$0.38 per stapled unit).

2 Paul Douglas held 168,291 units at the time of becoming a director on 22 December 2009.

ConnectEast Investment Trust Group

Financial Report

23. Commitments for Expenditure

Commitments for the cost of various goods and services to be supplied but not recognised as liabilities:

	Consolidated	
	2010	2009
	\$'000	\$'000
Operation and Maintenance Agreement		
During the year ConnectEast Pty Limited has renegotiated its operations and maintenance agreement with Transfield Services (Australia) Pty and has entered into a 5 year alliance based agreement. Estimated amounts payable are as follows:		
Payable not later than one year	16,353	15,696
Later than one year and not later than five years	70,465	46,164
	86,818	61,860
Operating Leases		
ConnectEast Pty Limited has entered into operating leases for the rental of retail premises. Amounts payable are as follows.		
Payable not later than one year	195	325
Later than one year and not later than five years	32	-
	227	325

24. Contingent Liabilities

ConnectEast and Thiess John Holland (TJH) have settled all outstanding matters under the EastLink Construction Contract. The settlement includes the calculation and timing of the construction early completion bonus, the details of which are set out in Note 15.

ConnectEast's performance in operating EastLink is measured under a KPI regime set out in the EastLink Concession Deed. Performance under the KPI regime is measured annually and commenced on 1 January 2009. Financial penalties apply under the KPI regime where performance benchmarks are not achieved. No KPI penalty was incurred for the 2009 calendar year and it is ConnectEast's assessment based on performance to date is that no material liability is likely to arise under the KPI regime for the 2010 calendar year.

25. Employee Benefits

	Consolidated	
	2010	2009
	\$'000	\$'000
Employee benefit and related on-costs liabilities		
Aggregate employee benefit and related on-costs liabilities	3,441	3,559
Employee numbers	Number	Number
Average number of employees during the financial year	321	361

ConnectEast Investment Trust Group

Financial Report

26. Related Party Transactions

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 22.

Responsible Entity Fees

Under the terms of the ConnectEast Investment Trust Constitution, the Responsible Entity, ConnectEast Management Limited, is entitled to receive fees from ConnectEast Investment Trust and ConnectEast Investment Trust 2. ConnectEast Management Limited became a wholly owned subsidiary on 31 March 2009, prior to which Macquarie Group Limited was the ultimate parent.

Other Related Parties

On 30 September 2009 Macquarie Group Limited ceased to be a related party as it is no longer the ultimate parent of ConnectEast Management Limited, the Responsible Entity.

	Consolidated	
	2010 \$'000	2009 \$'000
Macquarie Group Companies		
Financial Advisory Fee	-	3,909
Underwriting Fees	6,987	7,952

No amounts have been brought to account in relation to other transactions with other related parties. The above transactions were made on normal commercial terms and conditions and at market rates. No amounts are receivable from or payable to other related parties at balance date.

Controlling Entity

ConnectEast Group is a stapled entity and comprises the aggregation of ConnectEast Investment Trust and its wholly-owned controlled entities and ConnectEast Holding Trust and its wholly-owned controlled entities. The Responsible Entity of ConnectEast Investment Trust and ConnectEast Holding Trust is ConnectEast Management Limited.

Ownership interests in controlled entities are set out in Note 27.

27. Investments in Controlled Entities

ConnectEast Group comprises the aggregation of ConnectEast Holding Trust Group and ConnectEast Investment Trust Group, (refer Note 1(b)).

Name of entity	Country of incorporation	Class of shares / units	Equity holding 2010	Equity holding 2009
The ConnectEast Holding Trust Group comprises:				
ConnectEast Holding Trust	Australia	Ordinary	100%	100%
ConnectEast Pty Limited	Australia	Ordinary	100%	100%
ConnectEast Nominee Company Pty Limited	Australia	Ordinary	100%	100%
ConnectEast Finance Pty Limited	Australia	Ordinary	100%	100%
ConnectEast Holding 2 Pty Limited	Australia	Ordinary	100%	100%
ConnectEast Management Limited	Australia	Ordinary	100%	100%
The ConnectEast Investment Trust Group comprises:				
ConnectEast Investment Trust	Australia	Ordinary	100%	100%
ConnectEast Investment Trust 2	Australia	Ordinary	100%	100%
ConnectEast Asset Trust	Australia	Ordinary	100%	100%

28. Segment Information

The consolidated entity operates as one business segment being the EastLink tollway, in one geographic segment being Victoria.

ConnectEast Investment Trust Group

Financial Report

29. Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash Inflow from Operating Activities

	Consolidated	
	2010 \$'000	2009 \$'000
Loss after income tax benefit	(53,638)	(531,585)
Depreciation and amortisation	99,134	123,999
Impairment	-	404,875
Other non-cash items	18,418	-
Operating cash flow items not impacting working capital	(12,126)	18,711
Working capital movements not relating to operations	16,021	73,641
Decrease / (increase) in trade and other receivables	2,069	(6,321)
(Increase) in deferred tax asset	(59,019)	(89,502)
(Decrease) in payables and provisions	(18,917)	(61,880)
Net cash (used in) / provided by operating activities	(8,058)	(68,062)

30. Earnings Per Stapled Unit

(a) Reconciliation of earnings used in calculating earnings per stapled unit

	Consolidated	
	2010	2009
Basic and Diluted earnings per stapled unit (cents)	(1.49)	(25.43)
Loss attributable to unitholders of the company used in calculating basic and diluted earnings per stapled unit (\$'000)	(53,638)	(531,585)
There were no discontinued operations in the year.		

(b) Weighted average number of units used as the denominator

	Consolidated	
	2010 Units	2009 Units
Weighted average number of units used as the denominator in calculating basic earnings per stapled unit	3,599,002,432	2,090,540,964
Weighted average number of units used as the denominator in calculating diluted earnings per stapled unit	3,599,002,432	2,090,540,964

31. Events Occurring After the Statement of Financial Position Date

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

ConnectEast Investment Trust Group

Financial Report

32. Parent Entity Financial Information

(a) Summary of financial information

	2010 \$'000	2009 \$'000
Statement of Financial Position		
Current assets	9,936	184,251
Total assets	1,875,550	1,418,502
Current liabilities	215	3,699
Total liabilities	215	3,699
<i>Shareholders' equity</i>		
Unitholders funds	2,093,420	1,712,578
Retained losses	(218,085)	(297,775)
	1,875,335	1,414,803
Profit / (Loss) for the year	79,690	(300,100)
Total comprehensive income	79,690	(300,100)

(b) Contingent liabilities of the parent

Refer to Note 24 above.

Statement of the Directors of the Responsible Entity of the Trust

In the opinion of the Directors of ConnectEast Management Limited as the Responsible Entity for ConnectEast Investment Trust (the "Trust")

- (a) the financial statements and notes for the Trust and its controlled entities (the "Group"), set out on pages 10 to 53 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

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

This statement is made in accordance with a resolution of the Directors of ConnectEast Management Limited.



Anthony F Shepherd
Director

Melbourne
17 August 2010

Independent auditor's report to the members of ConnectEast Investment Trust

Report on the financial report

We have audited the accompanying financial report of ConnectEast Investment Trust (the trust), which comprises the statement of financial position as at 30 June 2010, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the ConnectEast Investment Trust Group (the consolidated entity). The consolidated entity comprises the trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

**Independent auditor's report to the members of
ConnectEast Investment Trust (continued)**

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

Independence

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

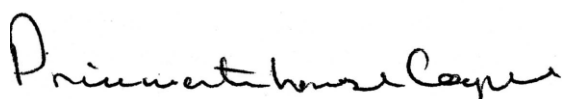
Auditor's opinion

In our opinion:

- (a) the financial report of ConnectEast Investment Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial of ConnectEast Investment Trust (the trust) for the year ended 30 June 2010 included on Group's web site. The responsible entity's directors are responsible for the integrity of the ConnectEast web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report and presented on this web site.



PricewaterhouseCoopers



Charles Christie
Partner

Melbourne
17 August 2010